Austria	Sch24	Iran	Rls215	Pakistan	Rs35
Bahrain	Din0.700	Israel	Shk1.50	Philippines	Pes40
Belgium	BFr65	Italy	L2000	Poland	Zl 9,000
Cyprus	C£0.90	Jordan	JD1	Portugal	Esc165
Denmark	DKr12.00	Korea	Won 2000	Qatar	QR8.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR7.00
Finland	FM8.00	Lebanon	[illegible]	Singapore	S$4.10
France	FFr7.00	Lux	LFr55	Spain	Pta165
Germany	DM2.20	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr150	Morocco	MDh8.00	Switz	SFr2.80
Hungary	Ft167	Neth	Fl 3.25	Thailand	Bt50
Iceland	IKr180	Nigeria	Naira12	Tunisia	Din0.800
India	Rs15	Norway	NKr12.00	Turkey	L2000
Indonesia	Rp3300	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

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Φ D 8523A

TECHNOLOGY
Electric engine systems rev up
Page 35

World News

South Africa removes last obstacles to exiles' return

South Africa removed the last obstacles to the return of as many as 20,000 exiles and opened the way for a large-scale amnesty for political offences.

The move was announced as President F. W. de Klerk held a further meeting with Mr Nelson Mandela, deputy president of the African National Congress. Page 20

US pilots die in Gulf

Two American pilots died when their reconnaissance plane crashed in Saudi Arabia and eight marines were feared dead after their helicopters disappeared on a night training mission over the northern Arabian Sea off Oman.

Kohl plans ministry

Bonn's Ministry for Inner German Relations said that Helmut Kohl, the German chancellor, was planning to create a reconstruction ministry for the former East Germany. Page 3

Curfew relaxed

Rwanda's government lifted a ban on civilians leaving their houses during the daytime, but maintained a night-time curfew imposed last week after rebels invaded the small Central African state.

Soviet denial

The Soviet Foreign Ministry denied that Moscow was ready to return two of the four disputed Kurile islands to Japan. Page 8

Libyan poll

The Libyan parliament elected a government with a new prime minister Abu Zaid Omar Dourda. Page 7

Gas weapons claim

A Belgian expert on chemical warfare accused the Angolan government of using chemical weapons against the civilian population in south-eastern Angola two weeks ago.

Indians expelled

Pakistan ordered four officials at the Indian consulate-general in Karachi to leave the country, accusing them of spying.

Minister sacked

South Korea's president, Mr Roh Tae Woo, sacked Mr Lee Sang Hoon, his defence minister, in an attempt to defuse a scandal concerning the surveillance of civilians by military intelligence. Page 8

Protest ship seized

Soviet coastguards boarded and seized a Greenpeace anti-nuclear protest ship near the Arctic island of Novaya Zemlya after firing warning shots.

Somali kidnapping

The International Committee of the Red Cross said Somali rebels had kidnapped two female Red Cross workers, including a Swiss delegate, after fatally shooting a third in an ambush in north-western Somalia.

Caste protesters die

Five more Indian students died, several others attempted suicide and a policeman was killed in protests against a government plan to reserve jobs for low-caste Hindus.

Politician charged

Polish police arrested Miroslaw Milewski, a communist hardliner and former interior minister, on corruption charges.

Cuba to trim party

Cuba announced a plan to shed as much as 50 per cent of the ruling Communist Party's bureaucracy. Page 6

Chinese fast food

Scores of Chinese stampeded into McDonald's as the American fast food chain opened its first restaurant in China, featuring an inflatable Ronald McDonald perched in the lotus position on the restaurant's blue-tiled pagoda roof.

Business Summary

Eurotunnel seals deal for additional $1.8bn funds

Eurotunnel got the green light from its bankers for its much-needed refinancing. Leaders of the company's 210-bank consortium have informed the board that they expect to raise *an additional £1.8bn.* ($3.4bn) Although this is short of the £2bn Eurotunnel needs, the gap will be made up by drawing on a previously arranged £300m loan from the European Investment Bank. Page 20

TURKEY'S minister of state ruled out any Ankara government rescue operation for Polly Peck, the beleaguered UK fruit-to-electronics conglomerate. Page 20

EUROPEAN Community agriculture ministers refused to endorse Brussels' latest proposal for a 30 per cent cut in EC farm supports. Page 3

MARKETS: with the exception of Milan, bourses began the week with strong gains. In Frankfurt, the FAZ index, at midsession, rose 21.62 to 622.16, while the DAX closed 73.77 higher at 1,465.53. The Nikkei ended at 23,630.00, up 802.35. The Toronto exchange was closed and reopens today. Back Page, Section II

AUSTRALIA'S Federal Cabinet approved a series of tough measures designed to rescue the wool industry from falling prices caused by overproduction. Page 21

RMC, world's biggest producer of ready-mixed concrete, is pressing ahead with plans to invest an initial DM160m ($101.9m) in building materials operations in east Germany. Page 28

SOLIDARITY'S Economic Fund, the business arm of the Polish trade union, has signed an agreement with Chase International Corporation of the US to set up a bank and several insurance companies. Page 2

STEEL consumption worldwide peaked last year at about 786m tonnes and is likely to fall by about 1 per cent this year, with a similar drop expected next year, the International Iron and Steel Institute (IISI) said. Page 4

GECHEM, leading Belgium chemicals company, gave an optimistic assessment of its first-half results and forecast that a recent US acquisition would help transform its fortunes. Page 22

US employees of United Airlines, trying to raise money for a buy-out, said they had failed to secure the required $2bn of bank funding for the bid, as originally structured. Page 24

CHILE is to set up a $130m "oil stabilisation fund" to protect its economy from the volatility of world oil prices, according to Alejandro Foxley, finance minister. Page 6

CORROON & Black, US insurance broker, won backing for its proposed merger with Britain's Willis Faber as its shareholders voted by a three-to-one margin in favour of the deal. Page 24

PIAGGIO, Italian scooter and engineering group has taken a 25.8 per cent stake in LML, the Indian two-wheeler producer, in a move aimed primarily at strengthening Piaggio's presence in the Indian domestic market. Page 4

DEUTSCHE Babcock, German engineering group, is restructuring its energy and environmental protection sectors and exercising an option to acquire all of Ashland Oil's Riley Consolidated subsidiary for an undisclosed sum. Page 22

CANADA Packers, the country's largest food processing group which was acquired by Hillsdown Holdings of the UK last year, plans more disposals and decentralisation of operations over the next few months. Page 24

Caution replaces euphoria on UK financial markets

By Peter Norman and Rachel Johnson in London

EMS euphoria proved short-lived on UK financial markets yesterday.

A spectacular start to trading, marking the first full session after Britain's entry into the exchange rate mechanism of the European Monetary System, gave way to caution yesterday as markets reassessed the effect of entry on economic fundamentals in the UK.

Although sterling and equities closed up on Friday's closing levels, early sharp gains were eroded during the day. In the market for gilt-edged securities, long-dated stocks closed lower – a sign that traders and investors were sceptical about the government's ability to reduce inflation despite participation in the ERM.

The slide in equity prices and sterling from early morning highs partly reflected profit taking. But the decision of Mr John Major, chancellor of the exchequer, to cut bank base rates by one percentage point to 14 per cent at the same time as taking the pound into the ERM with the wider 6 per cent fluctuation margins spawned doubts about the government's counter-inflationary resolve.

The financial markets' anxieties were not eased by news of mortgage rate cuts that promised to fuel a revival in consumer spending. The Halifax Building Society, the UK's largest mortgage lender, cut its basic home loan rate by 0.9 percentage points to 14.5 per cent with immediate effect for new borrowers and from November 1 for its 1.8m existing borrowers.

However, 1.3m Halifax borrowers have their monthly payments reviewed only once a year on April 1. Because of the incidence of earlier rises in rates, they will pay more from next spring, unless Mr Major cuts interest rates again by the end of January.

Yesterday's trading on financial markets began with fireworks. The start of frenetic trading saw the FT-SE 100 share index surge 134.7 points, or more than 6 per cent, above its previous close to 2,278.6 as the full extent of last Friday's after-hours gains were added to the index.

The pound opened at about DM3.05 in hectic activity, reflecting early gains in the Far East after its pre-weekend jump to DM3.0125 from DM2.93 during Friday.

However, the honeymoon did not last the day.

The FT-SE closed just above the day's lows, up 57.7 at 2,201.6, although turnover, at 1.08bn shares, was the highest daily volume since the 1987 stock market crash.

The pound closed at DM3.03 in London, about 2 pfennigs below its early highs. The Bank of England's trade-weighted sterling index, which
Continued on Page 20

Israeli police shoot dead 21 Palestinians in Jerusalem

By Judy Maltz in Jerusalem and Tony Walker in Cairo

SHOOTING by Israeli police yesterday during demonstrations near Jerusalem's Dome of the Rock mosque left 21 Palestinians dead, the largest death toll in a single incident since the intifada (uprising) against Israeli rule in the occupied territories erupted in 1987.

The deaths bring the unresolved Palestinian issue back into the Middle East spotlight. Since Iraq's invasion of Kuwait on August 2, Israel has attempted to keep a low profile and has resisted any linkage between a resolution of the Gulf crisis and the Palestinian problem.

President François Mitterrand of France condemned yesterday's killings as "a grave event" which highlighted the need for Arab-Israeli negotiations.

The Palestine Liberation Organisation reacted angrily to the shooting, calling on residents of the occupied West Bank and Gaza Strip to step up resistance against Israel.

Mr Bassam Abu Sharif, senior adviser to Mr Yassir Arafat, the PLO chairman, said the organisation would also demand an immediate United Nations Security Council debate on what he described as the "massacre" of civilians.

The deaths were lamented by Mr Javier Pérez de Cuéllar, the UN secretary-general.

The deaths occurred when Israeli border police fired live ammunition, rubber bullets and teargas to disperse protesters, some of whom had begun hurling stones and iron bars down on to several thousand Jewish worshippers gathered in front of the Western Wall. At least 115 Arabs and seven Jews, mainly policemen, were injured.

An Israeli border policeman arrests a Palestinian following rioting in Jerusalem yesterday

PLO officials in Cairo said the killings strengthened the case for UN-sponsored protection for Palestinians living under Israeli occupation. The PLO has repeatedly demanded UN protection.

The Palestinian demonstration yesterday was prompted by reports that a group of Jewish extremists intended to reclaim the Temple Mount, the site of the biblical Jewish temple which is also home to the Dome of the Rock. Israeli police and Mr Teddy Kollek, Jerusalem's mayor, later insisted that the group, known as the Temple Mount Faithful, had been forbidden to enter the site.

"The Temple Mount Faithful submitted a request to lay a cornerstone at the site about two to three weeks ago", said Police chief Ya'acov Turner. "We rejected the request. They then appealed to the Supreme Court and that was rejected too."

He added: "There was no justification for this type of riot and for the stone-throwing, which forced the police to take extreme measures, including shooting in order to save lives." He said he had set up a special investigation committee to examine the incident.

According to various reports, the police were caught unprepared by the Palestinian stone-throwers and very limited forces had been stationed around the Temple Mount, which has been a frequent site of Arab-Jewish clashes.

Police forces, however, denied these reports, saying
Continued on Page 20
Gulf fears raised, Page 7

US budget deal raises hopes for end to disruption

By Peter Riddell, US Editor, in Washington

THE US Senate last night looked likely to approve a new outline budget deal, raising hopes that the US government might resume normal operations this morning after three days of disruption.

The new proposal - approved by 250 votes to 164 early yesterday by the US House of Representatives - leaves many of the key decisions on tax and spending measures to congressional committees over the next 10 days.

It lacks many of the unpopular elements which led to the overwhelming defeat of the original agreement by the House last Friday.

The omissions raise questions about whether the final plan, due to be confirmed by Congress in two weeks, will achieve the aim of cutting the deficit by $40bn in fiscal 1991 and by $500bn over five years.

House Republicans from President Bush's own party were strongly opposed to the new package, by a margin of 136 votes to 32. However, Republican leaders in the Senate, which was due to consider the plan late yesterday, were more favourably disposed.

Senator Robert Dole, the Republican minority leader, said he wanted "the process to move ahead". He described the revised plan as "a very small departure" from the original package.

The Senate was yesterday also due to consider a resolution, approved in the House by 305 votes to 105, temporarily financing the government and allowing new borrowing until October 20. President Bush vetoed a similar resolution on Saturday, with the result that only essential government services have been operating since midnight Friday.

In the absence of a budget agreement, Mr Bush will only approve a resolution temporarily financing the government which includes a share of the proposed savings contained in the budget agreement defeated last Friday.

However, a key Democrat, House Speaker Thomas Foley, predicted that Mr Bush would accept the budget compromise and sign into law the stop-gap spending bill.

The continuing budget crisis has caused a furious political row, both between the Democrat and Republican parties and within the Republican Party, as well as widespread public criticism.

Mr Bush is eager to retake the political initiative which he lost last week when his televised appeal to the American public to support the original budget package was brushed aside and a majority of his own party voted against him.

He has sought to keep up the pressure on Congress by ordering the partial closedown of government, which has so far mainly affected visitors to Washington museums. But his handling of the budget has undermined his overall political authority.

The White House has accepted some of the changes made by the House Democrats, notably limiting increases in the cost of the Medicare health programme and dropping a planned rise in the tax on home heating oil.
Resolution that resolves little, Page 6; Editorial Comment, Page 18; Lex, Page 20

Radical Soviet reform package could trigger rise in jobless

By Quentin Peel in Moscow

MORE than one in five Soviet workers – 35m out of 160m – will have to find new jobs if President Mikhail Gorbachev approves radical economic reforms next week.

The shake-out will be caused by the bankruptcies of state enterprises forced to operate without subsidies, combined with the long-delayed restructuring of Soviet heavy industry.

The figure is the official estimate of Goskomtrud, the state labour committee, which also believes that it will be possible to create new employment for only 20m to 25m, leaving a hardcore of up to 15m unemployed.

At the same time, between 2m and 3m Soviet workers are expected to leave the country in search of jobs in the west, primarily in western Europe. Contracts for foreign labourers in the Soviet Union, mainly from Vietnam, China and North Korea, are being reviewed.

The details were given yesterday by Mr Vladimir Shcherbakov, chairman of the labour committee, who said that his organisation was embarking on a programme to set up 7,000 job placement centres. These would provide retraining as well as employment.

Speaking at the end of a visit by Mr Michel Hansenne, director-general of the International Labour Organisation, Mr Shcherbakov said it was hoped to establish 100 to 150 such centres by the end of the year.

He admitted, however, that the full force of the Soviet jobs crisis would strike over the next two years, creating "a very tense period".

"We have come to the conclusion that roughly 35m will be freed from the existing production lines. The 500-day programme [for economic reconstruction] envisages this due mainly to bankruptcy. How many will become truly unemployed is a different matter," Mr Shcherbakov said.

Some 6m people could be rapidly absorbed in the new service sector – currently "almost non-existent" – while 7m could take shifts in factories and 3m could take existing vacant jobs.

However, the state would have to establish a huge retraining programme, in addition to the existing employment service.

He said the state employment services – which merely matches jobs to people – currently had barely one seventh or one eighth of the staff needed for such a programme and that he was seeking western assistance in training the workforce.

France and Germany have offered help.

Mr Hansenne said that the ILO hoped to provide assistance in three ways: in the design and establishment of job placement centres; in advice on the whole mechanism of social security; and in training and retraining administrative personnel "for them to adapt as quickly as possible to the changes".

Mr Shcherbakov said that the entry of foreign workers into the Soviet Union from Asia "needs to be regulated".
Gorbachev tackles critics, Page 20; Moscow learns ABC of capitalism, Page 20

CONTENTS

Privatisation fails to fix Togo's economic malaise

In the 1970s, Togo President Gnassingbe Eyadema (left) poured millions of dollars into developing an array of state-owned enterprises. Only 10 years later, he was trying to sell them off
Page 10

MARKETS

STERLING
New York: $1.9745 (1.9525)
London: $1.9740 (1.9480)
DM3.030 (3.0125)
FFr10.1425 (10.095)
SFr2.5350 (2.510)
Y258.0 (257.75)
£ index 96.5 (94.1)

GOLD
New York: Comex Dec $399.3 (398.0)
London: $392.25 (394.25)

N SEA OIL (Argus)
Brent 15-day Nov $38.225 (37.35)

Chief price changes yesterday: Page 21

DOLLAR
New York:
DM1.5317 (1.5475)
FFrnot available
SFr1.2785 (1.2930)
Y130.625 (132.15)
London:
DM1.5345 (1.5470)
FFr5.1375 (5.1825)
SFr1.2840 (1.2880)
Y130.65 (132.30)
$ index 61.0 (61.4)
Tokyo close: Y130.05

US lunchtime rates
US bond markets were closed for the Columbus Day holiday.

STOCK INDICES
FT-SE 100: 2,201.6 (+57.7)
FT Ordinary: 1,705.7 (+50.1)
FT-A All-Share: 1,058.54 (+3.2%)
New York: DJ Ind. Av. 2,523.76 (+13.12)
S&P Comp 313.44 (+1.94)
Tokyo: Nikkei 23,630.33 (+802.35)

LONDON MONEY
3-month interbank: closing $13\frac{5}{8}$% ($13\frac{7}{8}$)
Liffe long gilt future: $85\frac{3}{8}$ ($85\frac{23}{32}$)

EUROPEAN NEWS

EC ministers refuse to back farm support cuts

By Tim Dickson in Luxembourg

EUROPEAN Community agriculture ministers last night refused to endorse Brussels' latest proposal for a 30 per cent cut in EC farm supports.

In an unexpected move, they decided to adjourn their emergency meeting in Luxembourg until Monday, ostensibly because of the current political disarray in Washington and what many EC ministers say is a lack of credibility in US proposals for farm reform.

However, with Mr Ignaz Kiechle, Bonn's farm minister, among the most vocal critics of the proposed cutbacks in farm support, last night's development was also interpreted as a means of easing his position before next Sunday's key regional elections in Germany.

As they met yesterday it was clear that the farm ministers intended to send the strongest possible signal to EC trade ministers who meet here tomorrow to endorse the Community's negotiating position on agriculture in the international trade talks known as the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt).

This has already been the subject of fierce internal debate within the European Commission, which recognises that the EC is under intense pressure from trading partners such as the US to cut back and modify its system of agricultural support.

To a large extent the farm ministers' response was predictable – a move intended to prove to the EC's powerful agriculture lobbies that their most highly placed and influential representatives are still fighting the cause.

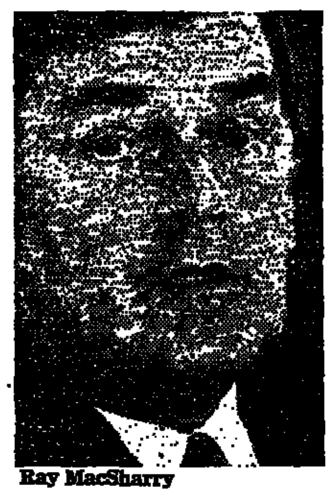
Without any formal power to change the Commission's proposal, however, the key question last night was to what extent their action could sway their trade colleagues at tomorrow's meeting.

Mr Kiechle's opposition implied that the Commission's plan challenged the whole basis of the EC's Common Agricultural Policy: "If I had to choose between ruining 70 per cent of the farm sector and a complete deadlock in the Gatt negotiations, I would choose the latter".

Only Mr John Gummer, the UK's farm minister, and Mr Gerrit Braks, his Dutch counterpart, were willing to give the Commission their reluctant backing on the farm supports issue.

The Danish position was not hostile, but Copenhagen stressed that no extra concessions should be made in the area of export subsidies.

Mr Ray MacSharry, the EC's farm commissioner, specifically stated that the final text of the Commission's proposal provided no "hidden agenda" on this issue.



Ray MacSharry

Move to harmonise aircraft standards

By Lucy Kellaway in Brussels

ALL new European aircraft will have to be built to a set of compulsory safety and technical standards, according to a proposal put forward yesterday by the European Commission.

The aim is to cut the dangers of flying and to make it easier for airlines to sell and lease aircraft from one member state to another.

The standards, which would cover technical details of aircraft classification, use and maintainance, would replace the existing system whereby each airline uses markedly different standards, with consequent differences in levels of safety.

The new norms would be based on those already agreed by member states on a voluntary basis under the auspices of the Joint Aviation Authority, the commission said.

By insisting on harmonised standards, the Commission would be establishing minimum safety rules in all European member states.

It would also be making it easier for aircraft to be traded from one country to another, without having to undergo costly changes to their design.

At present the expense and difficulty of having to make the necessary adaptations to different safety standards prevents significant cross-border trade in aircraft.

The commission is hoping to get its proposals agreed by member states during the next six months, so that the rules could start to apply to new aircraft in two to three years, in time for the single market.

The plans would not apply to existing aircraft, as it is felt impractical to involve all European airlines in costly conversion projects.

EC members move closer to agreement on monetary union

By David Buchan in Luxembourg

DUTCH and Spanish proposals yesterday helped narrow disagreements among EC members over the timing and conditions for moving to monetary union.

The rapprochement, at yesterday's meeting of EC finance ministers, concerned the timing and manner of moves beyond EC states' present coordination within the European Monetary System towards establishing an embryonic federal central bank.

The UK, however, remained largely outside yesterday's rapprochement, despite the fulsome welcome extended by fellow finance ministers to Mr John Major, the UK chancellor of the exchequer, on sterling's entry into the exchange rate mechanism. Mr Major nevertheless said the Spanish and Dutch plans deserved careful study. However, Mr Carlos Solchaga, the Spanish minister, praised the proposal by Mr Major for a hard Ecu.

Mr Wim Kok, the Dutch finance minister, also stressed that progress towards economic and monetary union must not split the Community.

Both Mr Kok and Mr Solchaga set very similar conditions for moving on from the present first stage of economic and monetary union to stage two. They agreed that all states must participate in the ERM, that public sector deficits must be curbed and that national central banks (constituent members of the mooted Eurofed) be made independent from their governments.

Mr Philippe Maystadt, the Belgian minister and an advocate of faster movement towards Emu, welcomed these criteria as simple and verifiable. Mr Jacques Delors, president of the European Commission, also greeted them positively, relieved that both Madrid and the Hague were leaving the harder targets of economic convergence as the criteria for the final passage to the Eurofed and a single currency.

Spain and the Netherlands have emerged as prime proponents of compromise.

● Mr John Major, UK chancellor of the exchequer, expects sterling's official margin of fluctuation in the European exchange rate system to be cut to the normal 2.25 per cent after the currency settles down in its initial six per cent band, Reuter reports from Luxembourg.

"It's in everyone's interest ... that sterling settles down within the six per cent band and then, in due course, we will move to the 2.25 per cent band," he said.

New paper challenges the traditional Dutch sabbath

Ronald van de Krol on the launch of the first Sunday in 50 years

DUTCH newspaper readers who have felt the urge to read a paper on Sunday have had to settle for something English or German – until this week that is, when the first Dutch Sunday in 50 years will be launched.

People who live in the bigger cities and who feel at home in English can usually get a copy of The Sunday Times or the Observer. German speakers can usually get the Welt am Sonntag.

De Krant Op Zondag (The Paper on Sunday) will be the first Dutch Sunday paper since the start of the Second World War, when shortages of newsprint killed off Dutch Sunday newspapers.

Its publisher, Mr Pieter Storms, a 36-year-old journalist, believes the Dutch are ready to revive their Sunday reading habits. His critics – including the established dailies, which publish on the other six days – say there is no room for a paper on the seventh.

The argument encompasses business questions such as advertising revenue, distribution and marketing. But it also goes to the heart of the Dutch character: does the lingering influence of Calvinism still make Sunday sacred? The answer may be found in the success, or otherwise, of De Krant Op Zondag.

Mr Storms, a former journalist at the weekly magazine Nieuwe Revue, says a Sunday paper has not been in the interests of the Dutch dailies. "It would increase their costs but it wouldn't raise their revenues," he says.

The Dutch newspaper association argues that the potential for a Sunday paper has been studied time and again, and the conclusion has always been that there is no market for one.

"A Sunday paper has little hope because distribution is exceedingly difficult," according to an association spokesman. "The Netherlands has Calvinistic roots. Where can you go to buy a paper on a Sunday?"

Dutch Sundays are in some respects still a day of rest. Shops remain firmly shut, and it is the one day of the week that state-controlled radio and television are not allowed to broadcast commercials. This ban is a result of continued opposition from Prime Minister Ruud Lubbers' Christian Democratic party, which has been part of every government coalition since the war.

The Netherlands Association for the Advancement of Sunday Rest and Sabbath Observance opposes the paper's plans. Mr Storms has met with representatives of the group, but neither side has changed its strongly-held views.

Another argument is that the thick Saturday editions of Dutch dailies make a Sunday paper unnecessary. Saturday editions are designed for reading on both Saturday and Sunday, says the newspaper association. The Saturday editions, says Mr Storms, are stuffed with advertisements and features but are thin on real news.

More contentious has been a dispute touched off by Mr Storms' attempt to book advertising space in the main Dutch dailies for the days immediately before the launch. The newspapers rejected the advertisements, but Mr Storms took the matter to the Economics Ministry which ruled that were the dailies not to run the advertisements they would be acting as a cartel. They have been told to carry the advertisements, the first of which is due to be run on Thursday, but have appealed to the courts against the decision.

The 40-page newspaper is modelled on the British Observer, which has an option on acquiring shares in De Krant Op Zondag and which is making its foreign news service available to the new title. Mr Storms, who was turned down when he approached newspaper publishers with his plans, has raised Fl 10m (£3m) from eight Dutch businessmen.

The traditional argument against Sunday newspapers has been the difficulty of distribution and printing. Few newspaper kiosks and even fewer shops are open on a Sunday, and newspaper delivery boys and girls are difficult to come by. Dutch printing unions have a ban on weekend work and will make exceptions only for substantial overtime bonuses.

The paper intends to solve the latter problem by printing in Belgium. As for distribution, it plans to harness every conceivable Sunday retail outlet, including petrol stations, hospital gift shops, and snackbars at sporting events. In all, some 1,500 points of sale should be open. The paper also believes it can find enough boys and girls to deliver the paper to doorsteps by 9am.

The newspaperhopes for an initial circulation of 225,000, still a long way off the Observer's circulation of 600,000 in the UK or Welt Am Sonntag's 425,000 in Germany, but it may be enough to alter the rhythm of a Dutch Sunday for good.

European Diary

Netherlands

Belgium given warning over aircraft noise

By Lucy Kellaway in Brussels

THE European Commission has sent Belgium a last warning over its failure to observe EC rules setting maximum limits on aircraft noise and has said that unless it changes its ways it will be taken to court.

In 1988, member states agreed a directive setting maximum noise for aircraft eligible to land at EC airports, but it allowed that in the case of particular economic difficulty member states should go on granting landing rights to noisy aircraft until the end of last year. It first complained to the Belgium government in June but received no response.

Belgium, which should have imposed a complete ban on all noisy aircraft from landing at its airports from the end of last year, is continuing to allow Boeing 707 cargo planes to land at airports in regionally depressed areas, according to the Commission.

The Commission said this was giving Belgian airports an unfair competitive advantage over other small European airports and was undermining EC efforts to protectthe environment.

The move follows a similar warning delivered to Belgium last week over the country's disregard of EC law on equal pay and conditions to be given to men and women at work.

Belgium has been using the lower retirement age for women to allow employers to make women between 60 and 65 redundant on much less generous terms than those granted to men, the Commission says.

Germany signs treaty to clean polluted Elbe

GERMANY yesterday signed its first international treaty since unification last week, agreeing with neighbouring Czechoslovakia to clean up the Elbe river, Reuter reports from Berlin.

Mr Klaus Toepfer, the environment minister, and his Czechoslovak counterpart, Mr Josef Vavrousek said they hoped to reverse years of industrial poisoning and make the river clean once again and fit for fish.

Officials at the signing of the treaty in Magdeburg, eastern Germany, said the ministers agreed to set up a commission to oversee the clean-up but gave no timetable or details.

Highly pollutant industries in Czechoslovakia and what was East Germany dumped 180 tonnes of mercury, cadmium and lead into the river each year.

EUROPEAN NEWS

Draft laws call for central Soviet bank

By Quentin Peel in Moscow

TWO draft laws to lay the foundation for a new system of Soviet banking were yesterday presented to the Supreme Soviet in Moscow, providing for an independent, federally-based central bank.

The law on the new state bank says it will be regarded as "a system of central republican banks, voluntarily delegating their rights to issue money and conduct monetary policy on the territory of all the republics," according to Mr Viktor Geraschenko, the current chairman of Gosbank.

He said the state bank would no longer be subordinate to the Soviet government, but operate an independent policy on money emission and bank credit regulation, responsible only to the Supreme Soviet.

The second law would classify all other banks as commercial banks – there are already more than 400 in existence without any legal basis.

Despite the obvious concessions by the central government to the republics, members of the Supreme Soviet said they did not go far enough.

They also said it was impossible to debate the new law until the adoption of a national economic reform programme – due to be submitted by President Mikhail Gorbachev next Monday.

●Conoco and its parent company, Du Pont, are pushing ahead with three projects for development of oil and natural gas reserves in the Soviet Union, Reuter reports from Houston.

The latest initiative involved a protocol on a feasibility study and joint ventures in the Timan-Pechora basin of the Soviet Union, as well as a feasibility study in west Siberia.

Under an earlier agreement with Moscow, Du Pont Services, a Dutch affiliate of Conoco, will join Norwegian and Finnish companies in evaluating a gas field in the Barents Sea.

●Hungary's crude oil stocks have gone and the country is being forced to process supplies as they arrive daily from the Soviet Union, the official MTI news agency said yesterday, Reuter reports from Budapest.

Reservoirs at the Szazhalombatta plant, the country's biggest refinery, have run dry. The plant, which can process 150,000 tonnes of crude oil a day, is being forced to rely on daily deliveries of 14,000 tonnes through a Soviet pipeline, MTI added.

Hungary contracted to buy 6.48m tonnes of Soviet crude oil this year, but will get less than 5m tonnes.

Lyons riots expose racial tinderbox

CALM returned to a bleak, working-class suburb of France's second biggest city yesterday after a weekend of rioting that shocked the nation and laid bare an undercurrent of racial tension, Reuter reports from Lyons.

More than 500 teenagers, many of them children of immigrants, ran amok on Saturday and Sunday, hurling petrol bombs and setting fire to a shopping centre that was left a smouldering ruin.

Hooded riot police (see above) made a number of arrests. Seven firefighters and two riot policemen were injured during the rioting, which erupted after a 21-year-old man from Vaulx en Velin suburb died when the motorcycle on which he was riding as a passenger crashed into a police car.

Local youths accused police of causing the accident. Prime minister Michel Rocard said the root cause lay in social problems.

Solidarity signs deal with Chase

By Christopher Bobinski in Warsaw

SOLIDARITY'S Economic Fund, the business arm of the Polish trade union, has signed an agreement with Chase International Corporation of the US to set up a bank and several insurance companies.

Chase International, whose interests range from property development to broadcasting and financial services, is already committed to a cable television venture in Poland.

Under the agreement, a holding company called Financial Enterprises will be established with an initial capitalisation of $12m (£6.3m), of which 51 per cent will be owned by Solidarity.

This company will in turn create a Soldarnosc-Chase Bank in Poland, headquartered in Gdansk but with a US affiliate. Another holding company will set up a life insurance company and a property and casualty insurance firm in conjunction with other as yet undisclosed western insurance groups.

Poland's insurance market was liberalised on October 1, when foreign companies were permitted to participate in joint ventures with Polish partners. After 1993, a full foreign presence will be allowed.

● The first public opinion poll of Poland's presidential campaign yesterday showed Mr Lech Walesa, the Solidarity leader, with a slight lead over his former adviser, Prime Minister Tadeusz Mazowiecki, AP reports from Warsaw.

Asked who they intended to vote for, 36.9 per cent of those polled said Mr Walesa and 31.9 per cent said Mr Mazowiecki. Other candidates were named by 19.5 per cent, and 11.8 per cent were undecided.

Seventy-two per cent of those polled said they planned to vote, 9 per cent did not and 18 per cent were unsure.

Mr Mazowiecki announced his candidacy for president on Thursday, saying he sought to protect the reform policies of his government.

Mr Walsea declared his bid on Sept 17, arguing that economic and political change must move more quickly.

The vote is scheduled for November 25.

Kohl plans reconstruction ministry

By David Goodhart in Bonn

MR Helmut Kohl, the German chancellor, is planning to create a reconstruction ministry for the former East Germany, according to a senior official in Bonn's Ministry for Inner German Relations.

The official said a departmental power struggle was under way in Bonn, with existing ministries trying to protect as much of their influence as possible from the potential "super ministry".

Head of the new ministry is likely to be Mr Günther Krause, a Christian Democrat and former adviser to Mr Lothar de Maizière, ex-prime minister of East Germany.

"Existing ministries look at East Germany only from their sectoral point of view; we need an authority with an overall look," said the official. "It will also be an important signal to people of the former East German state that their interests are not being relegated to an afterthought in Bonn."

The new ministry will not be created until after the all-German election on December 2. If, as is expected, Mr Kohl's centre-right coalition wins, a reshuffle of existing ministers is likely.

Meanwhile, Mr Theo Waigel, the Bonn finance minister, has called for private capital to be given a larger role in infrastructure projects for east Germany in order to keep the public costs of unity down.

Benetton to manufacture clothes in Soviet Union

By Haig Simonian in Milan

BENETTON, the Italian clothing group, has signed a joint venture agreement to begin production in the Soviet Union with the aim of making three million articles of clothing a year within the next three years.

The deal, which follows months of negotiations between the company and the Soviet authorities, is with Ayaz, part of the Armenian Ministry for Light Industry.

The transaction initially involves sweatshirts, jerseys, interlock and piquet cotton goods, which will be produced by the joint venture, Benetton-Ayaz, at the Ayaz plant in Yerevan, the Armenian capital.

As part of the transaction, Benetton will also be transferring high technology production know-how.

The goods will be sold in roubles at a chain of Benetton shops to be established in the Soviet Union.

The first two outlets, which will be in Yerevan, should be open by the end of this year, and will be followed by further units in other Soviet cities.

Benetton already operates some hard-currency shops in eastern Europe.

The joint venture, should employ around 800 people within three years.

Highly prized, but is it a national treasure?

EC in a quandary on national treasures

By Lucy Kellaway in Brussels

IF YOU wish to adorn your Paris flat with a 19th century vase bought for £5,000 in a Madrid antique shop, the chances are you will get stopped and turned back as you try to take it through Spanish customs. If you wish to buy a Fabergé treasure worth 100 times as much in London, you should be able to get a British export licence without difficulty and will sail thorough customs.

There is no single market in art and antiques in Europe, and there is unlikely ever to be one. The Treaty of Rome itself makes special mention of "national Treasures posessing artistic, historic or archaeological value" and says that member states can restrict imports and exports as they see fit.

The question is not whether individual countries should continue to be able to protect their national heritage by preventing export of certain goods. It is how to allow them to go on doing so once frontier controls have gone.

Industry ministers will broach the subject for the first time in Luxembourg today, looking for solutions to two related problems. The first to decide on what may legitimately be considered national treasures; the second is how to control their export.

Both areas are fraught with difficulties.There is nothing resembling a consensus between member states; and existing systems of control range from restrictive to liberal. For example

the UK's approach is coloured by its habitual free market line and shaped by the special interests of Sotheby's and Christies, the art auctioneers.

Spain and other relatively poor southern countries, by contrast, are seriously worried that to allow freer exports of art and antiques would mean the valuable contents of their old palaces would be lost to richer nations overnight.

Ministers are not expecting the same policy will be adopted by all, but are hoping for some general quidelines. Everyone agrees that a Rembrandt or a Van Gogh is a national treasure; the argument is going to be over whether a Chippendale chair or a porcelain rooster is also one. One approach, favoured by the free trade camp, would be to set a value limit of perhaps £500,000 to £1m below which all antiques and art work could be freely exported from one country to another. Goods above this threshold would then need a special licence to allow them to go to another country.

Poorer countries would see any such limit as far too high - making it very unlikely that a single value will be arrived at. Spain would prefer a system of lists that would name all items that were "treasures", and in which trade would be restricted. The UK flatly rejects any such idea, arguing that the number of goods that are potentially national treasures are so many as to make any such detailed arrangement unworkable.

Member states have got until the end of 1992 to resolve their differences. They are likely to need every minute of that time.

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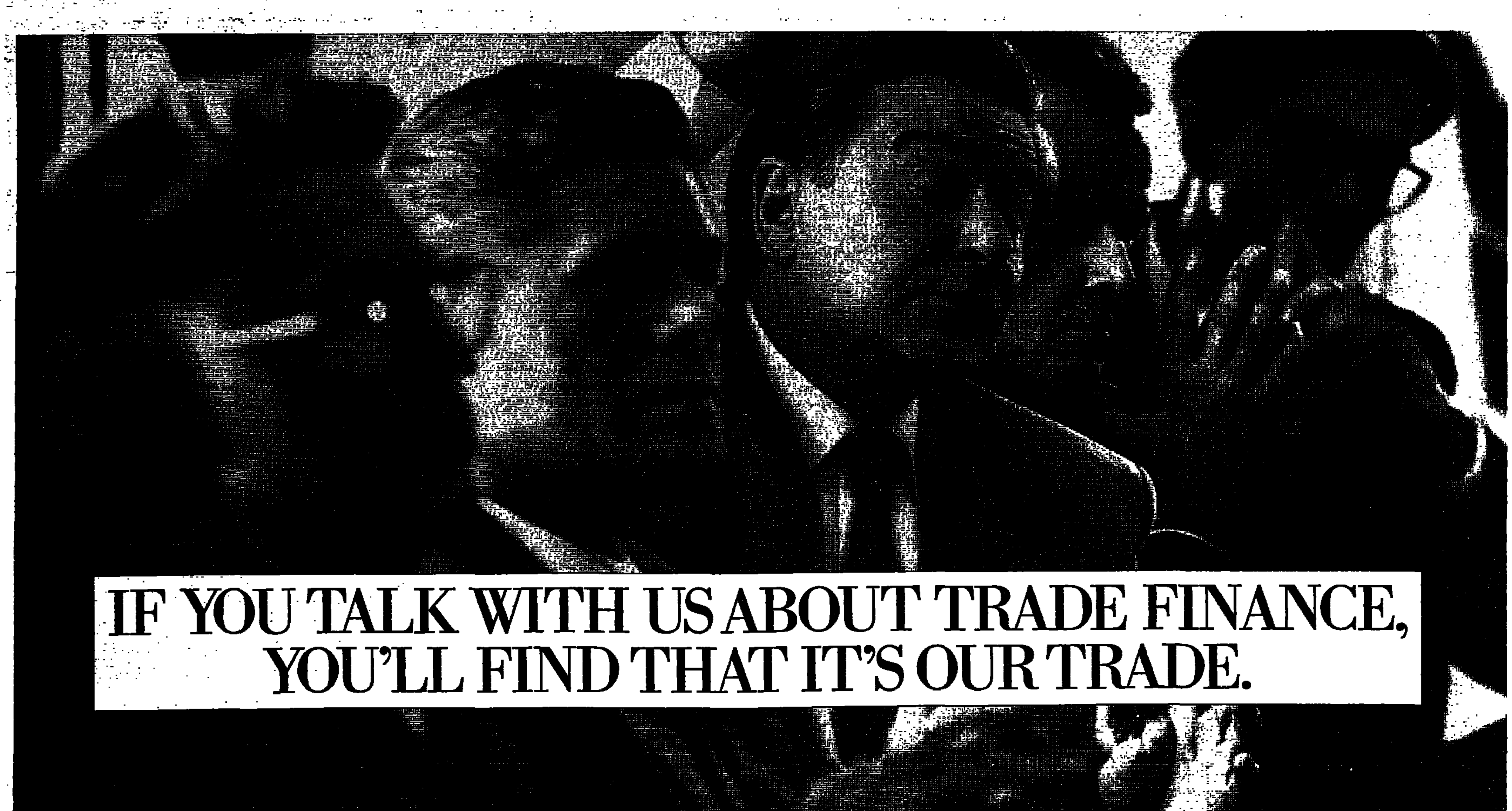


Piaggio takes 25% stake in Indian scooter maker

By David Housego in New Delhi

PIAGGIO, the Italian scooter and engineering group has taken a 25.8 per cent stake in LML, the Indian two-wheeler producer, in a move aimed primarily at strengthening Piaggio's presence in the Indian domestic market.

But Dr Gustavo Denegri, chairman of the Piaggio group, left open the possibility of Piaggio exporting back to Europe components or finished products from the Indian operations if quality reached the necessary international standards.

Piaggio has put up fresh capital of $5m (£2.6m) to acquire its stake in LML, which has suffered losses in recent years. In 1986, Piaggio waived Rs40m (£1.18m) in royalties because of the difficulties of LML with which it has had a licencing agreement since 1982.

Under the new joint venture arrangements, Piaggio will assume joint management control with the Indian partners and provide Piaggio personnel in key areas such as production and quality control.

LML expects output will rise from 200,000 vehicles this year to 300,000 by end-1991. India is the largest single market for scooters in the world. As part of Piaggio's taking a stake in the company, LML is to introduce new models including a 50 cc moped and new scooters of 150cc and 200cc.

Mr Deepak Kumar Singhania, who becomes joint managing director, said LML would return to profit in 1991/92. The tie-up is a blow for Bajaj Auto, India's largest scooter manufacturer, which believed it was near signing an agreement with Piaggio to manufacture in India components and finished models for distribution in Europe.

World Bank study vindicates liberalisation strategy

Growth benefits are shown to outweigh unemployment costs of trade reform, writes Peter Montagnon

RAPID dismantling of quantitative restrictions on imports is the key to successful trade liberalisation in developing countries, according to a study* published by the World Bank.

The study, which draws on experience from 36 reform programmes in 19 countries between the end of the Second World War and 1984, also suggests that bold programmes that start with a bang are the ones most likely to succeed.

History shows that trade reform has resulted in only a small cost in terms of higher unemployment, while economic growth has not generally suffered, even in the short term, it says.

Published at a time when developing countries are being asked to step up their trade liberalisation effort in connection with the Uruguay Round of multilateral trade liberalisation talks, the study vindicates the emphasis being placed by the Bank on trade liberalisation in its adjustment programmes for developing countries.

It is part of a seven-volume series, Liberalising Foreign Trade, being published between now and the end of 1991 through Basil Blackwell. One of its clearest findings is that programmes which decisively reduce direct interventions such as import quotas generally succeed. Those that do not generally fail.

Eliminating quantitative restrictions appears to play a greater role in successful trade liberalisation than cutting tariffs, the study says. Industry can still have access to the imported inputs of its choice under high tariffs even though it will have to pay heavily for them. Under a system of quantitative restrictions the inputs may simply not be available at all.

"This creates bottlenecks – and hence less output – and encourages enterprises to hoard essential supplies which is wasteful and costly," the study says. Tariffs also provide revenue for the importing government, while quantitative restrictions do not.

Quantitative restrictions have none the less been a popular trade policy tool in developing countries as a means of allocating scarce foreign exchange, but, once introduced, they are hard to dismantle.

A leading US business organisation believes that the outcome of the Uruguay Round of negotiations of the General Agreement on Tariffs and Trade will have a strong impact on the final shape of the European Community's single market exercise, writes Nancy Dunne in Washington.

The international division of the US Chamber of Commerce says the Community has linked a number of single market initiatives – public procurement, subsidies and domestic content rules – to the Gatt.

"The EC strategy has been to use its market liberalising initiatives as negotiating tools to achieve EC objectives at Uruguay Round discussions," the Chamber says in its new guide on Europe 1992. "A failure of the Uruguay Round would mean that ultimate access to the single market would not be governed by multilateral rules but by bilateral agreements or arrangements based upon reciprocal market access and treatment."

Mr William Archey, vice president international, says US-EC bilateral disputes will be left on hold until the Gatt negotiations are finished. Then there will be a US-EC treaty, which may include a bilateral dispute settlement mechanism to cover what is not in the Gatt.

The second plank of successful trade reform is usually a lasting real depreciation of the exchange rate, the study adds. "An early and substantial nominal devaluation greatly enhances a programme's chances of success." Yet it must be accompanied by fiscal and monetary polices designed to keep inflation at bay. Otherwise, as happened in Argentina in the late 1960s and 1970s, inflation may quickly cancel out the real benefits.

The study says only one trade reform programme, that undertaken by Israel between 1962 and 68, was fully sustained despite being accompanied by an expansionary fiscal policy. Expansionary fiscal and monetary policies are "the single most important cause of a reversal of trade reforms".

Yet the budgetary effect of trade liberalisation is not necessarily one-sided, it adds.

Though reform may involve cutting tariff rates, a source of revenue on which many developing countries are heavily dependent, this can lead to a higher volume of imports. The local currency yield from charging lower tariffs on these imports will increase as a result of devaluation, adding to government revenues.

Moreover, programmes which involve switching away from quantitative import controls to tariffs may actually increase government revenue. In general, it says, the higher the tariffs when reform begins, the better the chance that lower tariffs will mean higher government revenue.

Trade reform usually leads quickly to rising exports and, despite fears to the contrary, rarely produces even a short-run deterioration in the balance of payments, the study says. Its impact on unemployment has also usually been small, partly because it can quickly lead to increased employment in agriculture.

For example, though Chile's unemployment rose steeply – from 4.8 per cent to 12.5 per cent – during its second reform programme in the late 1970s, this was due more to its high exchange rate policy than to the reform itself. But for the trade reform there might have been an even greater rise in unemployment, it says.

Chile, alongside Argentina and Uruguay in the late 1970s and Israel in the mid-1970s also provides another lesson – that trade reform should begin well before capital markets are liberalised.

Liberalisation of capital flows produces a much speedier effect on the economy than trade reform. It can cause a heavy inflow of foreign funds which causes the exchange rate to appreciate. Argentina's trade reform collapsed because of this, but Chile opened its capital market later in the reforms.

Liberalising Foreign Trade in Developing Countries: The Lessons of Experience. Demetrios Papageorgiou, Armeane Choksi and Michael Michaely. 42 pages, published by the World Bank, 1818 H Street NW, Washington DC 20433

UK companies return to Tehran trade fair

BRITAIN has been exhibiting at Tehran's annual trade fair after a year's absence following the Rushdie affair, Scheherezade Daneshku reports.

Permission for the 34 British companies to exhibit at the fair, which ends tomorrow, was granted in July, before diplomatic relations were renewed. UK groups hope this means an easing in trade conditions which have caused them to lose out to the former West Germany and Italy, Iran's main trading partners in Europe.

Despite the Salman Rushdie affair, British-Iranian trade in 1989 showed a 4 per cent rise on the previous year. British exports to Iran amounted to £252m, and imports, mostly oil, £250m. Trade for the first eight months of this year has almost matched this. Exports to Iran at the end of August were £239m, 57 per cent up on the same period last year, while imports amounted to £225m, up 27 per cent.

Britain's exports to Iran are led by manufactured goods, including power generation and industrial machinery. Where British companies miss out is in contracting. Iran needs billions of dollars of work in the building of refineries, dams and oil installations, and has given contracts to Italian, German and Japanese companies. West Germany's exports to Iran were worth $1.3bn (£690m) and Japan's $920m, in 1989.

Iran wants to buy technology for the growth areas of petrochemicals, power generation, mining and the oil and gas industries. It is seeking security in implementing projects through long-term finance packages. Some $27bn in foreign exchange has been earmarked in the current 1989-94 plan to finance foreign projects.

Iran has not wanted to borrow money from foreign banks and has been buying up some of its short-term debt, estimated at between $1.5bn-2bn. It has virtually no long-term debt.

World steel consumption 'to fall'

By Charles Leadbeater, Industrial Editor

WORLD steel consumption peaked last year at about 786m tonnes and is likely to fall by about 1 per cent this year, with a similar drop expected next year, the International Iron and Steel Institute (IISI) said yesterday.

At the opening of the Institute's annual meeting in Sydney, Mr Leonard Holschuh, IISI secretary-general, said steel consumption this year was likely to reach 779m tonnes, about 0.9 per cent down on 1989. Most of the world's steel makers are members of the Institute, which acts as a research body and trade association.

The IISI's forecasts confirm the steel industry has passed the top of the cycle which began in the early 1980s. Growth in the past few years led many producers in the developed world back to financial health after the crises of over-capacity in the 1970s and early 1980s. Falling demand in the industrialised countries will put steel makers under renewed pressure to cut costs and rationalise capacity.

Most of the fall in consumption is due to a disruption of economic reform programmes in eastern Europe and South America, with slower economic growth in developed economies such as the UK and US.

Steel consumption in centrally planned economies, including China, is expected to be 10m tonnes lower this year – 3.3 per cent down on 1989. Some Latin American markets, especially Argentina and Brazil, have seen sharp falls in consumption.

Japanese consumption is expected to turn out at 99m tones, 5m tonnes above 1989's level. Demand has remained firm in the main EC markets, except for the UK, so that consumption will be 122m tonnes, almost unchanged from last year's level. US steel consumption for the year will be marginally above 100m tonnes but demand in Canada has fallen sharply, Mr Holschuh said.

Much of the growth has come from Far Eastern economies such as South Korea, where consumption this year is forecast to be 15.3 per cent above 1989. Developing-country steel consumption is seen at 4.1 per cent up this year, against a 1 per cent fall in the industrialised countries.

Steel consumption next year is forecast to fall by 3.7 per cent to 96m tonnes in Japan, 2.7 per cent in the US to 98m tonnes, and by 1.7 per cent in the EC to 120m tonnes. Industrialised countries' steel consumption in 1991 should be 2 per cent down on this year at 362m tonnes.

Growth in developing countries' consumption is set to speed up, growing by 5.8 per cent next year. World steel consumption would be 773m tonnes in 1991, about 0.8 per cent down on this year.

TNT to invest in Philippine air venture

TNT, the Australian-based international transport group, has agreed to invest $100m (£53m) in a joint venture aimed at making the Philippine capital its air transhipment centre in Asia, Greg Hutchinson reports from Manila.

TNT has been studying the matter for several months. The decision gives it a potential foothold if Clark Air Base, the US facility 50 miles north of Manila, is handed back to the Philippines and turned into an aviation centre, as government officials have suggested.

A statement released by the presidential palace said TNT has agreed to set up 24-hour international air cargo operations in the country under arrangement with Philippine Aerospace Development Corp, a local company. TNT will provide eight Boeing 737 jets to ship cargo. Operations are expected to begin before the end of the year.

House to try to override Bush textile veto today

By Nancy Dunne in Washington

THE US House of Representatives today will try to override President George Bush's veto of protectionist textile legislation passed last month by less than the two-thirds vote needed to make the legislation law.

In the unlikely event the bill garners a two-thirds vote in the override attempt, the legislation will move to the Senate where its chances are seen as better. When the House last month passed the bill, which would curb imports of textiles, apparel and footwear, backers were able to muster only 271 votes, with 149 against the measure.

The legislation was vetoed last Friday by President Bush, who cited costs of protection to US consumers and the industry's increasing profitability. He and Mrs Carla Hills, US Trade Representative, have warned Congress that passage of the Bill would destroy the Uruguay Round, where textile liberalisation is a goal of the developing countries.

Lobbying in the override battle has been intense. The textile and apparel forces have been supported by labour and farm interests. Wheat producer groups are said to have been told that continued backing for the textile legislation would be punished by a slowdown of export subsidies.

Backers of the protectionist legislation have warned the White House that too much liberalisation could spell tough going for the implementing legislation Mr Bush would have to get through Congress at the end of the Round. Anti-Round forces believe they have 35 solid votes against any Gatt agreement among textile supporters in the Senate. They would need just 16 more to defeat it.

AMERICAN NEWS

A resolution that resolves little

House takes a step back on budget package, writes Peter Riddell

THE budget resolution passed by the US House of Representatives early yesterday morning is a misnomer. It resolves very little.

The vote – and a later resolution to keep the government going until October 20 – should, if confirmed by the Senate, avert massive layoffs of federal workers when they return to their offices this morning from the long holiday weekend.

But these resolutions postpone the main decisions. The outline agreement pushed through by the House Democrats on a largely party line vote is a step back from the package defeated last Friday morning. It is vaguer about where savings are to be achieved and therefore raises doubts about the credibility of the deficit reduction aim.

In theory the new plan sticks to the original targets of a $40bn cut in the deficit in fiscal 1991 and a $500bn reduction over five years. However, big gaps have been created. Highly unpopular savings on Medicare health provision for the elderly have been trimmed from $60bn to $42bn, with additional costs to recipients to rise more slowly.

The suggested increase in tax on home heating oil – which provoked opposition among north-eastern Democrats – has been dropped. It would have raised revenue of $200m. The two-week waiting period for unemployment benefits, which over five years would have saved $4.6bn, has also been scrapped. About $400m of the proposed $1.4bn cut in agricultural subsidies in 1991 has also been cancelled.

On the savings side, the only specific item is $2.2bn from greater cuts on the defence budget from 1991 to 1993. Otherwise, it is up to the tax-writing House Ways and Means Committee and Senate Finance Committee to make up the difference. They are being told not only to raise $134bn in new tax revenue over five years (as in the original plan), but also to find an additional $22bn in either extra revenue or cuts in benefit programmes (largely to offset the smaller Medicare cuts).

In practice, much more may come unscrambled once the committees and the attendant swarm of lobbyists and special interest groups get down to work – for instance, altering the scope of the proposed 10 per cent tax on high priced luxuries. The "growth incentives" to smaller businesses – seen by some as creating new tax shelters and losing $12bn in revenue over five years – may also be changed.

The key issue that has been re-opened is tax rates. The long-disputed trade-off between a cut in capital gains tax and an increase in top marginal income tax rates is back on the agenda, having been dropped from the original budget deal.

This would eliminate the "bubble" whereby the wealthiest Americans pay a top marginal rate of 28 per cent while upper-middle-income taxpayers pay a 33 per cent top rate. This is based on a formula in the 1986 Tax Act which ensures that no one pays an average tax rate of more than 28 per cent.

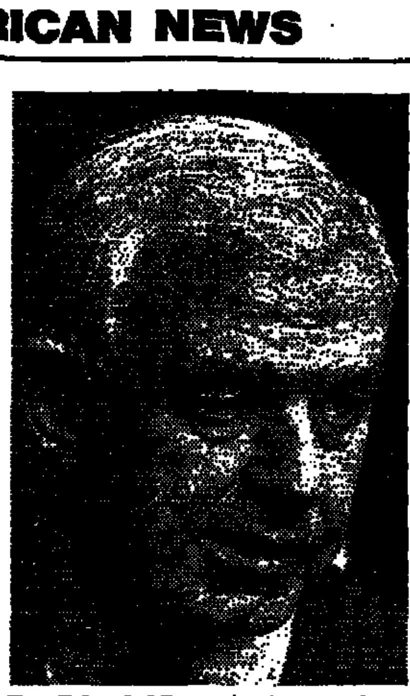
While some administration officials are reluctant to re-open this question for fear of eventually raising all tax rates, even some House Republicans favour such a trade-off, provided the increase in top personal rates is limited.

At present the Democrats have the political initiative. Under the leadership of Speaker Tom Foley and Majority leader Richard Gephardt, they have regrouped more quickly from Friday's débâcle. By contrast, the House Republicans remain bitterly divided with the younger, conservative group led by Minority whip Newt Gingrich making the running after opposing last week's agreement. Senior administration officials could barely utter Mr Gingrich's name during Sunday television interviews.

President George Bush may have acted tough on Saturday in order to put pressure on Congress when he vetoed the resolution intended to keep government going this week. But the White House is on the sidelines in determining the shape of the budget package. Its priority is to minimise changes from the original agreement.

The administration has had to accept concessions, largely favouring the Democrats, since the outline budget resolution passed yesterday was primarily aimed at uniting them, even if it means that most House Republicans are opposed. The original idea that any package would have to be approved by a majority of both parties in each house has disappeared. There is still more bipartisanship in the Senate and Senator Robert Dole, the Minority leader, has said he wants to advance the budget process.

So there is the possibility that the final package will be approved mainly on the votes of House Democrats, though possibly a more bipartisan group in the Senate. The prospect of such a coalition – always inherent with the executive and legislature under different party control – infuriates conservative Republicans.



Tom Foley: led Democrats' regrouping

There is considerable apprehension about the impact on the mid-term elections on November 6 in view of evident public disenchantment with Washington politicians. It was revealing that all 11 House members running for the Senate or governor voted against the original package last Friday, as did all 25 incumbents in tight races. By contrast, those with no major party opposition on balance favoured the deal, as overwhelmingly as did those retiring.

So – four weeks away from polling – congressional committees are unlikely to produce as credible a deficit cutting package in the next 10 days as did the budget negotiators over five months.

Brazil's state oil company delays local payments

By Simon Fisher in Rio de Janeiro

PETROBRAS, Brazil's state-owned oil company, has been forced to postpone payments to local distributors and suppliers, alleging cash difficulties resulting from the Gulf crisis.

The company is rolling all payments over for 15 days, with interest, according to Mr Reinaldo Aloy, financial director. He said payment to distributors of a tax on petroleum products worth $100m (£53m) a month had been postponed until the government conceded price rises at the pump to compensate for the steep climb of international oil prices. The latter was costing the company an extra $300m a month.

Petrobras needs a rise of at least 30 per cent to compensate for current losses, but the government has tried to resist putting up prices for fear of fuelling inflation.

However, ministers appear to have accepted the inevitability of an increase, and a rise of at least 20 per cent is expected to become effective soon.

An increase would also be aimed at curbing consumption. This hit record levels in August, pushing imports to 817,000 barrels a day.

Chile plans $130m fund to cushion oil price volatility

By Leslie Crawford in Santiago

CHILE is to set up a $130m (£69m) "oil stabilisation fund" to protect its economy from the volatility of world oil prices, according to Mr Alejandro Foxley, the finance minister.

The fund, to be financed by copper export earnings, is intended to absorb any future increases in world prices. "Further rises will not be passed on to the consumer. Our aim is to make the internal market as stable as possible," Mr Foxley said at the weekend.

For the past five years Chile has set aside part of its copper receipts, most of which come from the state corporation Codelco, for this type of emergency.

The government move came as Enap, the state oil refinery, raised the price of petrol and other oil derivatives for the second time in two months, aligning domestic and international prices. Chile imports 85 per cent of its oil, and domestic fuel prices are now on average 35 to 50 per cent higher than before the Gulf crisis erupted in early August. This has triggered an outbreak of inflation.

Mr Foxley said electricity tariffs would be cut by 8 per cent for households and 12 per cent for industry to offset higher oil costs. He added 2,600 buses would be taken out of circulation in Santiago, a 20 per cent reduction in the capital's privately run fleet.

The minister is worried that recent oil price rises will lead to a speculative wave of price increases throughout the economy, undermining the government's fight against inflation. He warned Chileans to be wary of speculators and to denounce excessive price increases.

Chile's monthly inflation rate soared in September to 4.9 per cent, the highest monthly figure in six years.

Since the start of the year the central bank has imposed a tight monetary policy to curb inflation, but the external oil shock has caused the rate to climb back to levels reached in the final months of 1989. Chile's year-on-year inflation rate stood at 29.3 per cent in September.

The country's open, export-oriented economy is particularly vulnerable to fluctuations in the price of oil, its main import, and copper, its principal export. These external shocks are difficult to control as everything – from wages to rents – is indexed to the inflation rate.

Several Chilean economists and politicians are now calling on the government to remove the oil component from calculations of the index. Mr Foxley said his economic team had begun to study options for de-indexing the economy, but he stressed this was a medium- to long-term project.

Cuba to streamline party bureaucracy

By Tim Coone

THE ruling Cuban Communist Party (PCC) plans to shed as much as 50 per cent of its bloated bureaucracy under a plan announced in Havana at the weekend.

The number of advisory departments to the party's central committee are to be cut from 19 to nine. The important military department is being dissolved and replaced by an advisory committee under the direct control of the politburo, the party's top decision-making body.

The changes are apparently designed to streamline the party in preparation for next year's party congress, and to confront Cuba's growing economic crisis as preferential trade agreements with the Soviet Union come to an end this year.

While the shake-up signals some flexibility within the PCC's rigid hierarchical structure, which President Fidel Castro has controlled since its foundation in 1965, it also concentrates power within the party in fewer hands and allows for tighter control of policy decisions.

At local and provincial level, party committees are to be reduced from seven to five members.

Appointments to party posts are, for the first time, to be made by direct, secret voting of party members from November until next February.

One change that has raised eyebrows within the diplomatic community is the removal of Mr Jorge Risquet from the seven-strong party secretariat, the politburo's executive and advisory arm. He retains his post in the politburo, however.

Mr Risquet headed 1988 negotiations with the US and South Africa over Cuban and South African troop withdrawals from Angola, which led to UN-supervised elections in Namibia.

This diplomatic success earned him respect within the western diplomatic community and suggested he was a rising star within the Cuban political hierarchy.

US doctors to share Nobel Prize

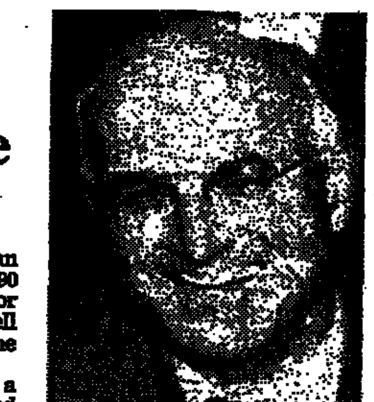
By David Fishlock, Science Editor

TWO US specialists in organ transplants will share the 1990 Nobel Prize for medicine, for discoveries in organ and cell transplantation relating to the treatment of human disease.

Dr Joseph E. Murray, 71, a surgeon with the Brigham and Women's Hospital, Boston, Massachusetts, and Dr E. Donnall Thomas, 70, associate director of the Fred Hutchinson Cancer Research Centre in Seattle, Washington state, will share the SKr4m (£367,000) award.

The Karolinska Institute, Stockholm, said yesterday in its citation that Dr Murray had discovered how organ rejection could be overcome when he successfully transplanted a kidney between identical twins for the first time.

Dr Murray also pioneered the use of cadaver kidneys, selected by tissue matching



Dr Murray: pioneered use of cadaver kidneys

techniques, to treat people dying from diseased or damaged kidneys.

Dr Thomas's research tackled the rejection reaction that jeopardised many early attempts at transplantation. He succeeded in transplanting bone marrow cells between people, to treat inherited disorders such as thalassemia, and disorders of the immune system.

The 1990 awards for physics and chemistry are expected to be announced on October 17.

Ruling party denies claims over aid for Mexico's poor

By Richard Johns in Mexico City

MEXICO'S Institutional Revolutionary Party (PRI) has reacted angrily to allegations by Coparmex, the employers' confederation, that the state anti-poverty programme is being used to further the ruling party's electoral interests.

Mr Jorge Ocejo Moreno, Coparmex president, said the National Solidarity Programme (Pronasol) was being used to boost PRI prospects in critical mid-term elections next August, in which the whole of the Chamber of Deputies and half the Senate face voters.

Mr Rafel Oceguera Ramos, a member of the PRI's national executive council, called the attack "politically and socially rash as well as being profoundly undemocratic".

His declaration echoed criticisms from the left-wing opposition and the PRI's "Critical Current," which broke away from the party last month.

They claimed the main beneficiaries of the 1,200bn peso (£216m) anti-poverty campaign, launched by President Salinas de Gortari at the beginning of August, were the poor people in strongholds of the opposition Party of the Democratic Revolution.

The Coparmex leader also spoke of the need for greater clarity over the Pact for Economic Stability and Growth – between employers, farmers, unions and government – as well as the need for a peaceful and civilised transition towards democracy.

Rafsanjani squeezes out radical opponents

By Scheherazade Daneshkhu

SUPPORTERS of President Ali Akbar Hashemi Rafsanjani looked set to emerge clear victors in elections held throughout Iran yesterday for the Assembly of Experts.

The 83-man assembly is a religious body set up after the 1979 revolution and elected every eight years with a mandate to select the country's most powerful man, the spiritual leader. It is also responsible for interpreting Iran's constitution.

The run-up to the elections has provoked intense feuding within the Iranian political establishment as opponents of President Rafsanjani and his pragmatic approach to policies sought to block him from expanding his power base. Last week fist fights broke out in parliament over allegations that the president was seeking to rig the election by stiffening the eligibility rules that cut potential candidates from 169 to 189.

Since becoming president last year in a political system divided as much by power politics as by ideology, Mr Rafsanjani has sought to neutralise his opponents without rocking the ship of state.

The obscure theological arguments leading up to yesterday's elections did nothing to hide the political nature of the row. Mr Rafsanjani and Ayatollah Ali Khamenei, the spiritual leader and successor to Ayatollah Ruhollah Khomeini, have used the Assembly of Experts as a means of eliminating their political opponents, the so-called radicals.

As a result, Mr Mehdi Karrubi, the speaker of the Iranian parliament, and Mr Sadegh Khalkhali, the deputy who displayed the charred bodies of US helicopter pilots during the abortive rescue mission of American diplomats held in Tehran, were not allowed to stand after failing examinations to determine their religious credentials.

The former state prosecutor, Mr Mohammad Khoiniha, another radical, was one of a number of prospective candidates who refused to take the examinations set by the 12-man Council of Guardians, which vets parliamentary legislation for its compliance with Islamic law, in protest at the new measure.

In the past, candidates have been approved by a council of three senior clerics in the holy city of Qom. The Assembly of Experts itself changed its own rules in July so that future candidates had to have their credentials approved by the Council of Guardians.

The radicals are opposed to the leadership's policy of improving relations with the west and loosening state control over the economy. They also fear losing political power, a process which began with the death of their patron Ayatollah Khomeini in June 1989. The latter had sought to keep the balance between the two factions.

Mr Ali Akbar Mohtashemi, the former interior minister and leading radical deputy, accused the leadership of trying "to weaken the policy defined by Imam Khomeini", calling them hypocrites and demagogues.

There were reports circulating in Tehran that Mr Mohtashemi's mouthpiece, the monthly magazine, Bayan, founded only two months ago, has been closed. Mr Mohtashemi, who was one of the founders of the Hizbollah party in Lebanon, which is thought to hold western hostages, is also opposed to President Rafsanjani's policy of securing their release.

Libyan government

The Libyan parliament has elected a government with a new prime minister, Mr Abu Zaid Omar Dourda, who has previously held the agriculture, economics, information and foreign affairs portfolios, Reuter reports from Tripoli.

Saudi civil defence volunteers, in chemical warfare suits, attend a graduation ceremony yesterday

A British warship yesterday fired warning shots for the first time since an embargo was imposed against Iraq in August, David White reports. The action took place in one of two incidents in the Gulf of Oman in which Royal Marines used helicopters to board Iraqi freighters. The frigates Battleaxe (UK), Reasoner (US) and Adelaide (Australia) fired in succession across the bows of the Basra-registered general cargo freighter Al-Wasitti after trailing it through the night and challenging it to stop. US coastguards were later able to search the vessel but found it empty. Another British frigate, the Brazen, the US destroyer Goldsborough and the Australian frigate Darwin also intercepted a small Iraqi tanker, the Tadmur.

Robert Mauthner adds from London: A convoy of 20 Britons, two Americans and one Frenchman, who were rounded up in Kuwait by Iraqi troops and held in a hotel, arrived in Baghdad at the week-end and were transferred to another hotel there. This brings the number of Britons detained in Iraq to 280, in addition to another 400 residents not in detention, according to figures given by the Foreign Office in London. About 700 British residents remain in Kuwait, out of a total of 4,000 at the time of the Iraqi invasion.

Jerusalem killings raise Gulf fears

Hugh Carnegy reports on fears that Saddam will exploit Arab anger

OF ALL the people hearing the news from Jerusalem yesterday, President George Bush and his small circle of advisers steering US policy in the Gulf must surely have been among those who felt the deepest shock and foreboding.

Israel's much-remarked-upon "low profile" in the Gulf crisis has been somewhat exaggerated, given both sides' acute appreciation of its sensitive – if subdued – presence. But yesterday's killings in Jerusalem abruptly dispelled any chance of Israel and the Palestinian issue remaining out of the Gulf picture.

Mr Teddy Kollek, mayor of Jerusalem since Israel captured the Arab half of the city along with the West Bank and Gaza Strip in 1967, voiced the fear that immediately crackled through the minds of Israeli leaders – and undoubtedly those of both western and Arab leaders aligned against President Saddam Hussein of Iraq. Mr Kollek termed the violence, in which at least 20 Palestinians were shot dead, "a sort of gift" for Mr Saddam. "I'm afraid the Iraqis are going to exploit this," he said.

The greatest fear is that Mr Saddam might choose to use the events as a pretext for carrying out his oft-repeated threats to strike Israel. By acting on behalf of the Palestinians in such circumstances – the greatest number of Palestinians killed by Israeli security forces in a day for years – he would confront the Egyptian, Syrian and Saudi Arabian allies of Israel's greatest protector, the US, with an appalling dilemma. They could hardly disagree with punishing the supreme Arab enemy. It is a scenario Mr Saddam has clearly contemplated and one which yesterday's events can only make seem more tempting to invoke.

But even if Mr Saddam holds his fire – mindful of the vastly superior firepower Israel would unleash upon him in retaliation for any attack – the Jerusalem killings provide a great propaganda tool for him to the same end.

It will surely be much more difficult than it already was for President Assad of Syria and King Fahd of Saudi Arabia – and President Mubarak of Egypt – to explain to their people that the issue of Iraq's invasion of Kuwait is not only separate from the issue of Israel's occupation of Arab lands, but more urgent. Avoiding the "linkage" of all Middle East disputes to the Iraq-Kuwait issue will be all the more difficult.

The embarrassment will hardly be less for the US and one result may well be a further distancing of the Bush administration from the government of Mr Yitzhak Shamir. Before the Gulf crisis erupted, relations between the two – especially between the two leaders – were mired in a trough principally over US objections to Israel's often brutal handling of the *intifada*, the uprising in the occupied territories that will be three years old in December.

Those in both Washington and Israel who have had to come to terms with the fact that, for the time being at least, the close military and political relationship between them had become a complicating factor in a Middle East crisis rather than an asset have had their impression vividly illustrated.

In Israel, such repercussions will be regarded as unwarranted and unjust. The authorities quickly produced evidence yesterday that the riots on and around the Temple Mount that ended in such a scale of violence were carefully planned.

They said barrels of stones, nails and bottles had been stored near the Moslem holy sites of the Dome on the Rock and Al-Aqsa mosque in preparation. Organised attacks, including stoning of Jewish worshippers at the Western, or Wailing, Wall began at three places at once.

While this may well be true, it does not explain how the security forces apparently failed to take adequate measures to prevent the incidents. It also proves that the recent lull in the *intifada*, at least in terms of violent confrontations with the security forces, did not denote the fading of the uprising that many Israeli leaders, including Mr Shamir, have suggested.

Certainly, a combination of lower-profile army tactics and a degree of community exhaustion with the uprising has produced sharply lower casualty tolls in recent months compared to the first two years of the *intifada*. But the level of frustration and despair simmering beneath the surface has not diminished. In many senses it has increased as anger over the lack of political progress towards even limited Palestinian autonomy, despite the sacrifices of the uprising, has grown.

This frustration received full expression in the now well-chronicled Palestinian support for Mr Saddam in his confrontation with the US – widely seen by Palestinians as being ultimately unwilling to exert any real pressure on Israel. Mr Saddam instilled a feeling that a strong Arab leader still existed capable of resisting by force not only Israel but the US too.

Bank stresses women's role in third world

By Peter Montagnon, World Trade Editor

THE WORLD BANK has started to pay closer attention to the role of women as agents for economic and social advance when extending loans to third world countries, according to a progress report on its 1987 initiative on women in development.

One in five loan operations approved during the financial year to June 30 1989 included specific recommendations about the role of women, compared with only one in 10 the previous year. This proportion rose to more than a third for loans to Africa.

The report said the bank's growing awareness of the importance of the need to improve the lot of women was part of an overall focus on the alleviation of absolute poverty and slowing population growth.

More than half the food of the developing world, and as much as three-quarters in Africa, is produced by women. They also constitute a quarter of the industrial labour force of the developing world and a higher proportion in many East Asian and Latin American countries, but they still suffer from discrimination.

Long-term efforts to help them should concentrate on education, health and family planning, the report said, but in the short term there was also a case for increasing female access to resources and credit.

One internal study undertaken by the bank in Kenya showed that women given the same access as male farmers to productive inputs, credit and education could produce about 7 per cent more crops per acre.

Another showed that very poor women in Bangladesh who had been allowed to borrow for the first time at market rates had raised their incomes by half, increased their children's attendance at school and increased their own practice of family planning. They had also repaid all their loans on time.

The report said that the bank was paying more explicit attention to the women's issues in its policy dialogue with developing countries.

Policy-makers need to do more to involve women in the process of development. This would enhance economic performance, and the benefits would improve equity for society as a whole.

Security tightened for Bhutto court appearance

By Farhan Bhokhari in Lahore

COURT officials in Lahore have stepped up security measures today for the appearance of the former prime minister of Pakistan, Miss Benazir Bhutto on charges of corruption.

The hearing was adjourned last week after more than 500 people stormed the small courtroom while many more protested outside. Windows and furniture in the courtroom were broken.

Security around the court premises will be tight and special passes have been issued for journalists, lawyers and diplomats. Riot police will be on standby.

Miss Bhutto said she will appear before the special court to defend her position despite claiming that she does not recognise such courts. The special courts have been convened to hear allegations of corruption against Miss Bhutto and other public servants. If found guilty Mrs Bhutto and her may be barred from elections later this month.

The charges are being brought against them under the initiative of "accountability". Miss Bhutto has claimed that the process is one-sided and that she and her supporters are being charged while her opponents are being spared. However, ministers in Pakistan's interim government and their supporters argue that it is a necessary clean-up operation and that the charges against Miss Bhutto and her colleagues are genuine.

S Korean defence minister fired over illegal surveillance

By John Ridding in Seoul

SOUTH KOREA'S president, Mr Roh Tae Woo, yesterday sacked Mr Lee Sang Hoon, his defence minister, in an attempt to defuse a scandal concerning the surveillance of civilians by military intelligence.

Defence Security Command, a military intelligence agency, has allegedly been keeping more than 1,000 politicians, dissidents and religious leaders under watch.

The allegations are a setback to Mr Roh, himself a former general, who has repeatedly promised to prevent military intervention in politics since his inauguration in 1988.

The government's political problems were further compounded when Mr Kim Dae Jung, the leader of the Party for Peace and Democracy, the largest opposition party, announced that he was to start a hunger strike.

His demands are that Mr Roh promises not to revise the constitution in favour of a parliamentary cabinet system, that local autonomy is implemented this year, that problems of inflation and social security be addressed and that military intervention in politics be ended.

The demands, and Mr Kim's hunger strike, are likely to extend the political deadlock between the ruling and opposition camps.

The 70 PPD members of the national assembly, along with the eight members of the Democratic Party, the other opposition group, are boycotting Korea's parliament in protest at legislation passed during the previous session.

"Without the acceptance of our demands we will not negotiate anything with the ruling camp. Furthermore we will stage a national campaign against Roh's government," Mr Kim said.

Roh: setback

Yesterday's announcements by the PPD are an attempt to recapture the political initiative after a series of diplomatic coups by the government, including the establishment of diplomatic relations with the Soviet Union.

The military surveillance came to light last weekend when a deserter from the DSC produced profile cards and computer discs containing information about the activities of about 1,300 civilians.

Mr Roh is to replace Mr Lee Sang Hoon with Mr Lee Jong Koo, a former army chief of staff and close associate of the President. Mr Roh has also dismissed General Cho Nam Pung, head of the DSC.

Hong Kong does U-turn on harbour crossing plan

A HK$12bn project is now to be financed from reserves, not by the private sector, reports John Elliott

TWO forces – the Chinese government in Peking and a blunt Hong Kong-based construction entrepreneur, Mr Gordon Wu – have forced the Hong Kong government to eat humble pie in the past week over extravagant plans for the private sector to finance, build and operate cross-harbour suspension bridges and viaducts costing HK$6bn-12bn (£820m).

Faced with considerable international concern about political and economic risks involved, Hong Kong last week decided to finance the strategically important project out of its own HK$70bn-plus reserves.

Its primary aim was to avoid a collapse of the funding proposals in international markets next year which could have jeopardised confidence in associated plans for the colony's urgently needed new international airport.

The bridges will provide the only access to a new international airport at Chek Lap Kok near Lantau Island. They form part of a 20-year development package costed last year at HK$127bn which would also provide Hong Kong with container ports and other associated road and rail links – with the private sector covering up to 60 per cent of the cost.

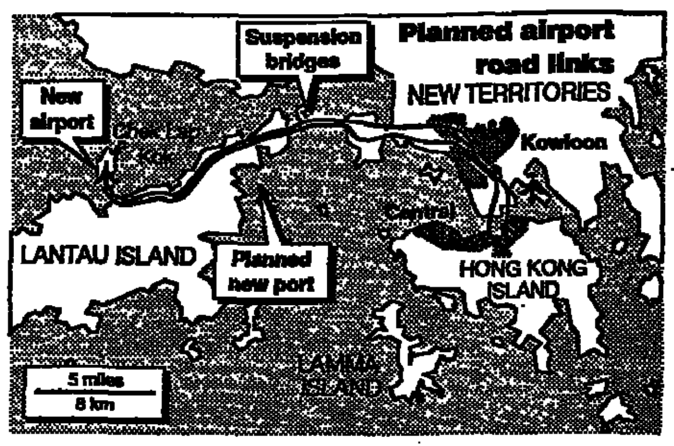
In the 12 months since this was announced, Hong Kong has had to learn its limitations, as it approaches its return in 1997 to Chinese sovereignty.

In particular it has had to accept that it cannot easily take big initiatives which depend on international backing, without China's support.

China objected to the plans initially in an attempt to re-assert its authority after the Tiananmen Square crisis. Later it also expressed concern about the debt it will have to pick up in 1997, although it does not dispute the need to replace the existing Kai Tak airport, which will reach saturation point for air traffic around 1994.

But Hong Kong has refused to consult China formally and Sir David Ford, the chief secretary, stressed last week that such projects were "matters for Hong Kong to decide".

In addition to China's non-approval, the project has been dogged by relentless criticism from engineers and builders that the bridges are badly sited and uneconomic. The most public has been Mr Wu, the energetic founder and chairman of Hopewell Holdings,



which is building a highway in southern China. He favours an alternative bridge route somewhat closer to his highway.

He said yesterday he could build all the roads, bridges and other works, plus the container ports, for HK$60bn, which is HK$20bn less than the government's plans. But the government, which regards him as an irritating self-publicist, last week rejected his ideas.

The government plan involves a main, but as yet undesigned, suspension bridge with a 1,377m central span. It would be the longest such combined road and rail structure in the world (although railway operations might be deferred at the beginning to cut costs) and could pose construction problems in a typhoon-prone area.

It would form part of 5.5km of bridges, tunnels and viaducts, all of which have to be built, along with several kilometres of feeder highways, in time for the airport to open early in 1997, just before the handover to China. The airport itself, to be sited on reclaimed land, has not yet been through even basic design stages, and there is a continuing debate about how far apart its twin runways should be.

There are therefore plenty of imponderables to increase the business risks involved. In particular, the airport could not function at all without the bridge. But without the airport and nearby container port developments, the bridge would not be self-financing on the toll basis envisaged.

In addition, Hong Kong's economic growth has been floundering not much above zero for much of this year, and the Gulf crisis has worsened prospects for both the economy and international financing. Hong Kong has also discovered that banks are wary of such projects after problems with the channel tunnel.

So consortia lining up to bid were talking in terms of tolls of at least HK$30-40 per car, which may be twice as much as the government would consider socially and economically acceptable. (Mr Wu said yesterday that an HK$80 toll would eventually be needed on a commercial basis.)

Tenders had been expected on a design, finance, build and 25-year operating basis from three big groups: an Anglo-Japanese consortium led by Trafalgar House and Mitsui; a European and Asian group led by Dragages of France; and a Japanese-based group led by C. Itoh. Mr Wu also has links with IHI, a Japanese bridge builder, and would also have become involved.

Last week the government decided that the risks perceived by these consortia were considerably greater than its own assessments, partly because it can itself gradually reduce the imponderables. So it decided it would be better to spend its own funds, collect its own tolls, and hope later to franchise out the operation of the bridge after 1997, once the risks are reduced.

Hong Kong's government is at its best when facing crises, though not so good at building sound policies that could avoid problems. In this case, it could have bowed to advice about the economic risks involved many months ago and abandoned the private-sector financing idea much earlier.

However it has characteristically reacted effectively and now expects to have a larger number of contractors tendering, which could produce lower construction prices faster than would have been possible.

Sovereignty over China and Mongolia a 'joke'

Opposition urges Taiwan to drop claim to mainland

By Peter Wickenden in Taipei

TAIWAN'S main opposition group, the Democratic Progressive Party, called on the Nationalist government on Sunday to renounce its claim to sovereignty over mainland China and Mongolia.

Political analysts said the move, made in the DPP's annual congress, would incense both the ruling Nationalists, and the Communist Party in Peking, who would interpret it as a call for Taiwan's independence. They also feared that it would trigger further political instability in Taiwan after a lull since election violence in May.

Ever since being driven off the Chinese mainland by the communists in 1949, the Kuomintang (Nationalist) government has claimed to be the sole legitimate ruler of China, including Taiwan, Tibet and Mongolia.

The DPP calls the claim "a joke" that has led to Taiwan's diplomatic ostracism by all but a handful of countries.

Despite their ideological differences, both the Chinese Communists and Taiwan's mainlander-dominated Kuomintang aim to re-unite Taiwan with China. Native Taiwanese who favour making the island an independent democratic republic face jail for openly saying so.

The DPP, which gained a third of the popular vote in elections last December has long been split by pro- and anti-independence factions.

Separatist sentiment has gained the upper hand since President Lee Teng-hui decided in July to form a top-level "National Unification Commission" with himself as head.

Mr Lee said in the commission's first meeting on Sunday that reunifying Taiwan and China under democracy was not a far-fetched dream. Mr Huang Hsin-chieh, the DPP chairman, said the goal was impractical and unattainable.

Some DPP supporters suspect the KMT of making a secret deal with the Communists to re-integrate Taiwan into China and themselves stay in power.

Others credit the KMT for its stated commitment to democratising Taiwan, and say the Unification Committee was only formed to placate the Chinese Communists.

Moscow denies offer to return islands to Japan

By Quentin Peel in Moscow and Ian Rodger in Tokyo

THE Soviet Foreign Ministry yesterday denied any suggestion that Moscow was ready to return two of the four disputed Kurile islands to Japan.

Mr Gennady Gerasimov, foreign ministry spokesman, said no draft documents of any sort had been handed to a delegation from the ruling Japanese Liberal Democratic Party on a recent trip to Moscow.

Reports that the two islands, which have been disputed territories since their seizure by the Soviet Union during the Second World War, surfaced this weekend in the Japanese press. They were immediately welcomed by Mr Taro Nakayama, the Japanese foreign minister, as a sign of willingness to improve relations with Japan .

The reports said that the offer had been made privately last month to Mr Shintaro Abe, the former Japanese foreign minister, by a senior Soviet official described by a colleague of Mr Abe as a member of the Soviet presidential council and close aide of Mr Mikhail Gorbachev, the Soviet leader.

Yesterday's denial in Moscow leaves open the possibility that compromise proposals came not from the Foreign Ministry, but from President Gorbachev's team in the Kremlin.

However, Tass also quoted an article published last week by Mr Yevgeny Primakov, a member of Mr Gorbachev's presidential council and a top foreign affairs adviser, saying any hopes that the Soviet leader would solve the problem during his visit to Japan next year were "illusory".

Packer making good recovery

By Kevin Brown in Sydney

MR Kerry Packer, the Australian businessman, is making a good recovery from a heart attack suffered while playing polo, St Vincent's Hospital in Sydney said yesterday.

The hospital said Mr Packer had recovered sufficiently to talk to medical staff and his family, but might need heart by-pass surgery later.

Consolidated Press Holdings, Mr Packer's private company, said he was expected to return to work next week. Doctors said Mr Packer was fortunate to have been treated shortly after the heart attack by doctors present at the polo ground in western Sydney.

Mr Packer controls Australia's top rated Channel Nine television network, as well as a large stable of magazines, and chemical, engineering and property interests.

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Liberal steps fall short

Privatising state-owned projects has not resolved Togo's economic problems report William Keeling

AN oil-refinery a few kilometres east of Lome stands as a forlorn monument both to the failure of state-owned projects, and the fact that problems do not necessarily end when turning them over to the private sector.

Inaugurated in 1978, the refinery has the capacity to satisfy the needs of Togo and much of the sub-region – but it has rarely operated at more than quarter capacity and was closed down in the mid-1980s before being sold to Shell.

The refinery is yet to restart and Shell is simply using the site as a depot.

The refinery is the legacy of a government spending boom in the mid-1970s. Buoyed by a sudden rise in the price of phosphate, Togo's main export, the regime of President Gnassingbe Eyadema invested in an array of ill-planned state enterprises.

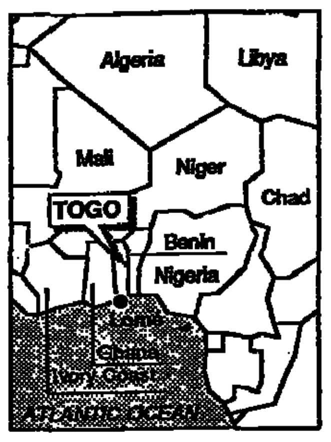
With the subsequent fall in the price of phosphate, his country of less than 3.5m inhabitants was left with a foreign debt of more than $1bn.

Though Mr Eyadema still leads the government, the policies have undergone a dramatic change. By 1979 measures were being taken to stabilise the economy and in 1982 a rigorous structural adjustment programme, supported by the World Bank and International Monetary Fund, was undertaken. A fourth structural adjustment loan is presently being negotiated with the World Bank.

Central to adjustment has been a programme to rid the state of its loss-making enterprises, either through privatisation or simple liquidation. Of the 73 companies in this position 10 have been liquidated, 14 have been privatised and a further 23 are slated for privatisation. The government has declared a continuing interest in the remaining 26.

Since 1985 the government has recouped CFA21bn ($77m), but most analysts agree that it has made a substantial loss on its original investment. As one diplomat commented: "These facilities ... were overpriced to begin with."

He is not alone in considering that the tied-terms of French assistance allowed French companies in the 1970s to make excessive profits.



Privatisation has not, however, been the rejuvenating force anticipated by the government and many of the companies have struggled to attain profitability. The Industrie Togolaise des Plastiques, which produces mostly pipes and tubing, was privatised in 1987. It made a loss for the first three years and may turn a small profit this year. With as yet no return on investment, the company is noticeably reliant on its main customer, the state-owned water company.

Another struggling company is Nouvelle Industrie des Oleagineaux de Togo, a cotton seed oil refining factory. Also privatised in 1987, the new French management have undertaken an ambitious programme of cost-cutting combined with a CFA6bn injection of new investment.

PRODUCTION prior to privatisation had averaged 1,000 tonnes a month with 250 employees: now the factory is producing 340 tonnes a day with just 100 permanent staff. Despite the improved figures the company has yet to break even.

Regarded as the success story of privatisation – not least by its new-owner, the American entrepreneur John Moore – is Togo's steel-mill.

Re-named the Societe Togolaise de Siderurgie (STS), the company plans to increase its turnover from CFA4.3bn in 1989 to CFA9.8bn by 1992 and is already declaring a 6 per cent profit on turnover and a 14 per cent return on capital.

But doubt remains as to how reliable a beacon STS is to potential investors in Togo: although the turnaround in the company *is impressive*, it has been achieved behind a 43 per cent protective tariff barrier.

The main constraints for existing companies are the small domestic market in Togo, the overvaluation of the currency and the weakness of the Ecowas tariff-union which, according to John Moore, "offers no local advantage whatsoever".

Privatisation may have stemmed the outpouring of funds from the state budget, but it has failed either to provide job opportunities or to be a catalyst for new industries.

The government has responded by announcing further incentives for private investment with the creation of an Export Processing Zone (EPZ). Similar to that already operating successfully in Mauritius, the EPZ would grant companies who export at least 80 per cent of their production, tax exemption for the first 10 years, with a set 15 per cent profit tax thereafter.

There have been 40 applications, of which 10 are said to be definite, including a papaya extract factory, a bus assembly plant and a cocoa processing plant. But just as privatisation has failed to be a panacea for Togo's economic problems, the EPZ is also unlikely to bring instant or long-term relief.

Suggestions that the zone will provide 100,000 jobs within a decade are regarded by observers as wildly optimistic. Western diplomats advising on the EPZ consider that if 10,000 jobs are created then Togo will be doing well.

Despite nine years commitment to structural adjustment, most analysts believe that the problems of the government will continue to mount. Population growth remains high at 3.3 per cent per annum, unemployment in the formal sector is more than 20 per cent and each year several thousand more university graduates enter the labour market. It is difficult to see what further steps the government can take.

As one diplomat put it: "It's hard for them. They've already embraced privatisation and created an EPZ and you can't get much more liberal than that."

Students protest over continuing strike by teachers

By Mike Hall in Lusaka

POLICE wielding batons and riot shields and firing into the air dispersed about 2,000 students protesting in Lusaka yesterday against the Zambian government's failure to end a three-week teachers' strike.

The demonstration by students from at least four large secondary schools in the Zambian capital underlines mounting tension caused by a wave of industrial unrest following food riots and anti-government protests in June this year.

Since then more than 23,000 workers have taken part in 32 illegal strikes mostly over pay and working conditions. The government blames political opponents for fanning the unprecedented action.

Mr Lavu Mulimba, minister of labour, said last week it was "transparent" that some strikes had been orchestrated by people who wished to see a breakdown of law and order leading to the downfall of the government.

The government has directed employers not to negotiate with unions whose members are striking illegally and not to pay workers for the period of the strike.

The Zambian Congress of Trade Unions, a leading force in the campaign for multi-party democracy, denies strikes are politically motivated and has called for a conference between government, employers and unions.

However, relations between the government and trade unions are at an all time low. Last weekend the congress called on President Kaunda's government to resign before multi-party elections due next year.

● A senior official of Zambia's ruling party said on Monday that the banning of an opposition political convention on Saturday was purely a police matter, Reuter reports from Lusaka.

Police in riot gear stopped more than 500 delegates of the Movement for Multi-Party Democracy (MMD) from holding a convention to turn their movement into a political party.

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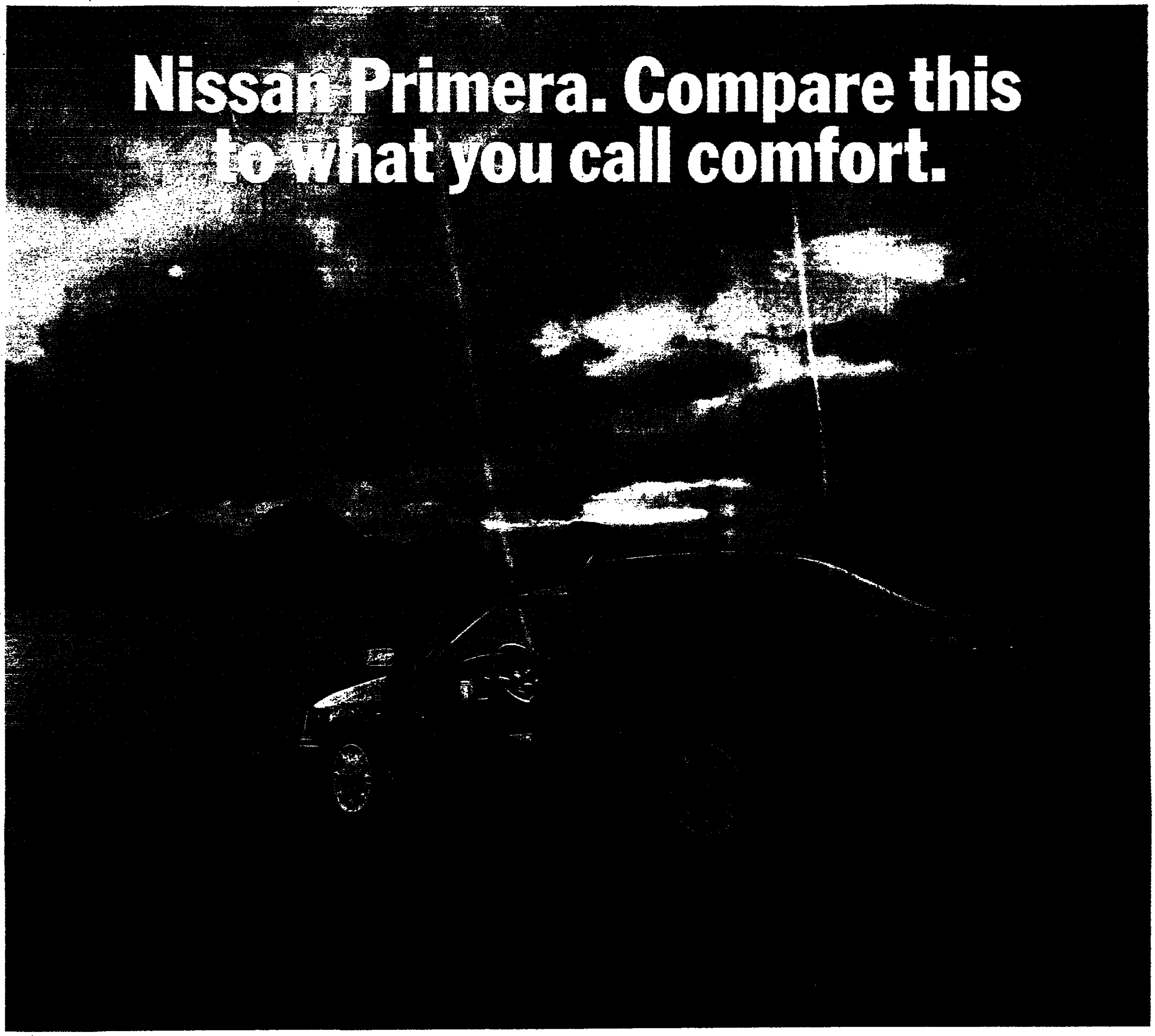

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But comfort isn't merely a question of seats. Cockpit and dashboard are designed for a better view, better operating controls and less hassle.

The completely new Multi Link Front Suspension system then guarantees you incomparable comfort on roads that go from poor to worse to worst.

All this to assure you of driving pleasure on distances that go from short to medium to long.

However the Primera was not created as an advancement over other cars merely in terms of its comfort.

Its performance, its styling, its quality-all are designed to stand up to your scrutiny.

As you realise as you match the performance of its 16 valves in every Primera gasoline engine with your own.

And as you sit back and think about the bumper-to-bumper 3 year warranty we give you.

And your comparison is not only true for the four door sedan but also for the five door hatchback and station wagon.

There now seems to be only one question left unanswered: when would you like to compare the Primera?

NISSAN

Nissan Primera.
The new performance car for a country called Europe.

THIS MODEL IS A NISSAN PRIMERA SLX. ALL SPECIFICATIONS MENTIONED ARE BASED ON THE MODEL SHOWN AND SUBJECT TO POSSIBLE CHANGES.

Tories strive to halt momentum for early election

By Ivo Dawnay, Political Correspondent, in Bournemouth

CONSERVATIVE Party leaders were yesterday trying to slow down the increasing momentum for an early general election as delegates gathered for the annual Tory conference.

With speculation mounting that the government may seek a June poll to capitalise on the early benefits of UK entry into the European Exchange Rate Mechanism, ministers underlined the alternative options of an October 1991 or 1992 date.

The Prime Minister added to the newly-buoyant mood within the party, but refused to be drawn on an election date.

Arriving at the conference hotel in Bournemouth on the English south coast, Mrs Thatcher told reporters: "It is full steam ahead for a fourth term, whenever that may be."

But it was also clear that the new mood in the party will fuel enthusiasm for the so-called "golden scenario." This envisages an election in June next year after the impact of lower interest rates and an expected fall in inflation are tested in the May local elections.

Many believe that to wait longer would allow the negative effects of ERM entry – most notably higher unemployment – to damage the Tories' chances.

But efforts by reporters to pin down senior Tory officials as to a likely election date were thwarted by a number of conflicting interpretations as to the electoral ramifications of ERM entry.

As Mr Neil Kinnock, the Labour leader, called for a debate on the move, Mr Kenneth Baker, the Conservative party chairman, was yesterday attempting to dampen down the growing election fever.

He told an eve-of-conference press briefing that both the 1991 and 1992 options remained open. "It is far too early to decide at this stage – certainly in the immediate aftermath of the statement last Friday – about the date of the next election," he insisted.

Nevertheless, there was little doubt yesterday that the one percentage point cut in interest rates has already shifted the pre-conference mood of the Tory faithful from nervousness to optimism.

The conference opens today and ends on Friday with a rallying call from Mrs Thatcher.

Channel tunnel back on the track

David Lascelles, Banking Editor, looks at the new financial package

It does finally look as if there will be light at the end of the tunnel.

The new financial package which Eurotunnel is cobbling together may not be quite what the executives originally had in mind. But it should be enough to enable a rights issue to go ahead and rebuild the company's finances. That, in turn, greatly strengthens the chances of the 50km project being completed on time in mid-1993.

But it is an untidy package. More than a third of Eurotunnel's 210 banks failed to stump up their share of the £2bn extra cash which it needs - despite months of cajoling and negotiation. Only the UK banks, it appears, paid up in full. In Germany and even France several banks fell by the wayside. The Japanese banks, who are the largest country group in the syndicate, originally took a hard line, but eventually came up with close on their commitment. There were many drop-outs among banks from the Third World and east Europe.

The shortfall means that most of the leading banks in the syndicate and many smaller ones will have to increase their share to close the gap. The inclusion of the existing £300m loan from the European Investment Bank is a fudge to complete the total.

Alastair Morton

That money will not actually start to become available until the project's three tunnels are completed later next year.

But yesterday's announcement reflects the decision of Eurotunnel's board in Paris last week to press on even without a signed banking agreement. The alternative would be to lose momentum, and jeopardise the rights issue. With the UK's electricity privatisation due in late November, there is only a relatively narrow window in the market. The pre-underwriting agreement runs out in January.

The point, however, is that the bankers themselves should be satisfied with the package since they are the people who are demanding that Eurotunnel raise fresh money. They are saying that the project must have at least £7.5bn in place now to cover the total expected cost even if it will not actually be needed for some years. Assuming a successful rights issue, Eurotunnel will have around £8.5bn, giving it an extra cushion.

Mr Alastair Morton, Eurotunnel's chief executive, was claiming yesterday that the reluctance of so many banks to increase their lending did not reflect worries about the tunnel's viability so much as concern about the present economic climate. He said the project was now sufficiently advanced (more than half the tunneling and terminal work is complete, and 38 out of the 42 equipment contracts have been placed and priced) for the risks to be greatly reduced.

So far, Eurotunnel has spent a total of £3bn, consisting of the £1bn of equity which it raised at the launch in 1987, and £2bn of bank loans. The high level of UK interest rates this year has been painful, though the company splits its borrowing between sterling and the cheaper French franc. Yesterday's cut in base rates, and the prospect of more later, is a big bonus, and Eurotunnel hopes to keep its average borrowing costs this year below 12 per cent.

The focus will now switch to the rights issue in the first half of next month. The new bank loans are conditional on that going ahead. The issue will amount to around £500m. It was pre-underwritten by financial institutions last May which greatly increases its chances of succeeding.

Although it will still be some weeks before a prospectus is issued, the selling job gets under way today. As with the original issue, subecribers will qualify for free travel on the Eurotunnel shuttle trains.

The event itself should coincide with some good news when French and British tunnellers, who are now less than a mile apart, pass a 100m probe through to each other early in November. This will be followed by a formal breakthrough of the central service tunnel attended by Margaret Thatcher and President Mitterand in January.

The brightening prospects for Eurotunnel have been reflected in its share price. From a low of 378p earlier this year – barely above the 350p issue price – they rose to last night's close of 473p. But shareholders will have to be patient. The latest forecast is that they will receive no dividends until 1999, meaning that the founding shareholders will have had to wait 12 years for the pay-off.

BRITAIN IN BRIEF

Power chief outlines cost plan

The electricity industry may be protected from the financial impact of increased environmental demands once it is privatised by being able to boost its prices, the industry's regulator said yesterday.

Professor Stephen Littlechild, director general of electricity regulation, said he would examine the companies' cash flows, as well as their scope for efficiency improvements and would study "where appropriate, any additional costs arising from changes in the environmental or wider regulatory regime."

This was interpreted by participants at the private meeting as a clear signal that the electricity companies would be at least partly protected from the additional costs of having to meet new environmental requirements imposed by the UK Government or the European Commission.

Press body to be set up soon

The newspaper industry is planning to set up a properly financed new Press Complaints Commission to replace the Press Council early next year – much sooner than previously expected.

The industry has taken on board the report of the Calcutt Committee into the Press and Privacy published in June and accepted that the Calcutt proposal for a Press Complaints Commission represents a last chance for self-regulation of the newspaper industry.

The industry has already set up a Press Standards Board of Finance to fund the new commission. It will be chaired by Mr Harry Roche, chairman of The Guardian and Manchester Evening News.

Biotechnology with USSR

A London biotechnology company, Oxford Virology, has negotiated three agreements with Soviet scientists in Novosibirsk to exploit Soviet biotechnology.

The agreements cover patenting of the technology, marketing of products and processes, and introductions to joint ventures involving western companies.

The Soviet connection is Nauchno-proizvodstvennoe Objedinenie Vector (NPO Vector), devoted to biotechnology and bioengineering, which includes research laboratories, a pilot plant and two experimental farms.

South Wales wins contract

South Wales Electricity has won a contract to distribute electricity to Cardiff Bay, one of the largest urban development programmes in Europe.

The 15-year contract awarded by the Cardiff Bay Development Corporation will have a sizeable impact on the power company's core distribution business, which represents around 80 per cent of its total earnings.

South Wales Electricity will invest more than £35m over 15 years in a new distribution network which will add around 5 per cent to its system.

Called to account

Chartered accountants will be obliged to "blow the whistle" on colleagues who are dishonest or do bad work, according to draft rules published by the Institute of Chartered Accountants in England & Wales, the UK's largest professional accountancy body.

The move, which will have to be voted on by the ICAEW's 90,000-plus members, comes as part of a general overhaul of the ICAEW's disciplinary procedures. The ICAEW envisages appointing an independent ombudsman to review decisions of its Investigation Committee, and hopes to take on new powers to intervene in members' practices.

Clowes in court

Peter Clowes, the former head of a £190 million investment empire, appeared in court yesterday charged with offences including the theft of nearly £30 million.

Mr Clowes, 48, founder of Barlow Clowes Gilt Managers and the Gibraltar-based Barlow Clowes International, is alleged to have committed 39 offences, including 20 of theft.

Sale of London site fails

The sale of County Hall, the former seat of the Greater London Council, collapsed after the developers, County Hall Development Group went into receivership.

County Hall Development Group, an Anglo-Japanese consortium which had been formed solely for the purpose of developing the building, had incurred costs of £50m which will be shouldered by its 21 shareholders, led by London & Metropolitan, New England Properties, Lazard Brothers and Touche Remnant.

Plan for Antarctic park launched

Mr Jacques Cousteau, the French undersea explorer and environmentalist, said that Mrs Thatcher had twice refused to see him to discuss the environmental protection of Antarctica. He was visiting London to launch a campaign by the World Wide Fund for Nature and Greenpeace to persuade the British Government to drop its support for oil and mineral exploration in the Antarctic. He said the last reply he received from No 10 Downing St was that the Prime Minister did not consider the matter a priority at the moment. Next month the 24 countries which are parties to the Antarctic Treaty will meet in Santiago, Chile, to discuss drawing up a comprehensive environmental protection plan for the region. The environmental campaigning groups want a ban on the mining and exploration which is permitted under the Convention on the Regulation of Antarctic Mineral Resource Activities (Cramra). They want the area declared a world park to be run on the lines of a nature reserve.

... **W A R S A W , 29th May 1990, BULL is selected to supply equipment to all the fiscal agencies of the Polish Ministry of Finance.**

Proposed solution : Unix*-based BULL DPX/2 systems. 367 open system servers and more than 5,000 terminals and associated services.

... **L O N D O N , 15th June 1990, The Inland Revenue in Great Britain awards Bull the IRON Project to implement an open-systems solution in its 632 district tax offices.**

Proposed solution : Unix*-based BULL DPX/2 systems. More than 900 open system servers and 25,000 intelligent workstations and associated services.

... **P A R I S , 7th July 1990, after its outstanding performance during technical tests, BULL is chosen by the French Ministry of Finance to equip its tax offices.**

Proposed solution : Unix*-based BULL DPX/2 systems. 300 open systems servers and 3,000 terminals and associated services.

BULL DPX/2 OPEN SYSTEMS, THE TREE WHICH GROWS FASTER THAN THE MARKET.

Worldwide
Information
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BULL DPX/2 systems and Bull Open Software Environment are certified by X/Open as "XPG 3-PLUS" compliant. BULL is a member of the Open Software Foundation.

UK NEWS

No soft options for hardware producers

Alan Cane hears a gloomy prognosis for the future of Britain's computer industry

COMPUTER manufacturers in the UK, most of them subsidiaries of US parents, are tightening their belts in anticipation of a year or more of slow growth as large companies defer capital spending and the public sector looks for ways to cut data processing budgets.

A combination of the economic climate – which all the manufacturers have no hesitation in calling a recession – and underlying changes in the industry itself, is casting a long shadow.

The announcement of a one-point cut in base rates and Britain's entry into the European Exchange Rate Mechanism (ERM) brings some relief and while hardware manufacturers think lower interest rates will stop things getting worse, the future is far from bright.

Mr John Gardner, managing director of ICL, the UK's largest computer maker which will become part of Fujitsu of Japan in November, said: "It is a step in the right direction. I thought it was going to be a rough ride for at least the next year and a half but now I think we might see some improvement in 12 months."

Mr Ian Reynolds, director of marketing and sales for IBM UK, said before the announcement of the rates cut: "It will be well into 1991 before we expect to see signs of recovery."

Mr John Perry, managing director of Unisys in the UK, added: "It would be foolhardy to plan for major growth next year".

AB Electronics, a Welsh-based group which among other activities assembles printed circuit boards for many of Europe's leading computer manufacturers, had noticed a slowdown in business as the economic climate worsened.

Sir Peter Phillips, chairman, said the company had to reduce its cost base and look for new business, "which is not easy at present". Managing inventory had become a serious problem with sharp fluctuations in orders.

Although most industrial sectors have been affected, the pattern is uneven. Sales of retail systems for food and drink remain strong, while fashion, footwear and consumer durables show a distinct downturn.

Mr Perry notes that managements which understand information technology are still investing strongly but where there is a gulf between business management and data processing management – which means most UK companies – investment decisions are increasingly delayed. Over the past two years, data processing budgets are coming under intense scrutiny from top management.

Computer hardware sales in UK

	1989 \$m	1990 \$m	Change %	1994 \$m	Growth %89-94
Hardware					
Mainframes	1,578	1,624	2.9	1,788	2.5
Minicomputers	1,665	1,447	-13.1	1,439	-2.9
Small bus. comps	1,153	1,132	-1.8	1,453	4.7
PCs/workstations	4,256	4,597	8.0	7,017	10.5
Total	8,652	8,800	1.7	11,697	6.2

1990, expected outturn; 1994, forecast. 1989-94 growth annualised. Source International Data

Mr David Baldwin, managing director of Hewlett Packard, sees strength in telecommunications, pharmaceuticals and the food industries but weakness in the kind of scientific systems used in test and measurement where the moratorium on defence procurement is hurting.

Hardware manufacturers have in the past and with some justification considered themselves virtually recession-proof, arguing that customers need computers to boost competitiveness in good times and to cut costs in bad.

But the consensus among the industry's top managers is that growth in the UK this year will be between zero and 5 per cent, a far cry from the double digit growth seen in the 1980s.

The beginning of the second quarter, April 1, seems to be the point at which most people realised the rot had set in.

The computer industry is undergoing structural changes, in particular a move from custom designed systems to commodity equipment, which is producing effects in the market place which for some companies are severe enough to camouflage the results of the downturn.

Mr Gardner at ICL says the company is being affected in a number of ways. First, large companies are tending to defer capital spending decisions. It has become easy to put aside a decision to instal a new system or upgrade an old one.

Secondly, large companies are also taking longer to pay, which does not worry ICL unduly but is having a serious effect on many of the small dealers and value added resellers that ICL uses to distribute products to customers. "We are definitely seeing small companies going to the wall," said Mr Gardner.

Thirdly, local authorities having spent heavily on equipment to help in the collection of the community charge are scrutinising their information technology budgets with renewed vigour.

For central government, the cost of maintaining a presence in the Gulf is forcing departments to look closely at their operational budgets with a view to deferring and reducing expenditure.

IBM's business also reveals a complex picture. The company had recently announced a new mainframe family which had excited interest among its big machine users. These companies – the banks and other financial institutions – had an almost inelastic demand for processing power: "We are finding difficulty in delivering enough systems."

Mr Geoffrey Shingles, managing director of the UK subsidiary of DEC, the world's largest minicomputer manufacturer, said getting the company's cost structure right was proving difficult.

"The market does not believe we are yet in the right shape for the 1990s," he said. Moves to restructure the company had been under way in the UK for more than a year. "These are tough problems for us to face but at least we are taking clear, positive steps to deal with them".

Lockerbie police chief tells of 'complex' case

THE CHIEF Constable of Scotland's smallest police force told today how he masterminded the police and emergency plan that swung into action in Lockerbie within moments of the Pan Am flight 103 disaster on December 21 1988, the Press Association reports.

Mr John Boyd, now Her Majesty's Inspector of Constabulary for Scotland but then Chief Constable of Dumfries and Galloway, said he first learned of the disaster at his home from a TV news flash – followed "almost instantaneously" by a call from his force headquarters.

He described how at an early stage that night he established basic ground rules for the investigation on the assumption that it could well become a criminal inquiry.

"The temptation to short-cut the process for short-term expediency was to be resisted," Mr Boyd said at the Lockerbie inquiry, which today entered its second week at Dumfries.

He said no air crash planning exercise could have envisaged the "scale and complexity" of events surrounding the Lockerbie disaster – or the trauma experienced by relatives of the dead, the "carnage" which faced emergency services, or the "political pressures" created by the international scale of the disaster.

"It was obvious that with an air crash of this magnitude and international dimensions, the governments of various countries were immensely interested to find out the cause of the accident." Mr Boyd said he maintained his own independence during the inquiry. He outlined the pressures placed on his force – with only 344 officers – and of logistical problems caused by the disaster.

It happened on the longest night of the year, creating a shortage of daylight for searchers, and the search spread out to cover 845 square miles.

In the early stages, continued Mr Boyd, identification was difficult because of a lack of comparative records. Some victims were identified by fingerprints taken from their homes or their workplaces.

Others were identified by other means, including medical records, and because of the severe damage caused to the bodies, relatives were dissuaded from viewing them unless accompanied by doctors.

Other methods included visual identification by investigators based on photographs supplied by relatives, or clothing, or official documents.

From the outset, it had been decided that there must be as complete identification as possible, despite pressure from relatives.

But some bodies were never recovered, including those of some victims sitting in the wing section of the fuselage which crashed on the Sherwood area, and those of some residents of that area, who died in the fireball created by the crash.

UK NEWS

UK ECONOMY

Slowdown bites as pay levels drop

THE level of pay settlements in manufacturing has fallen for the first time in over two years as the economic slowdown starts to affect pay negotiations, the Confederation of British Industry, the employers' association said yesterday, writes John Gapper.

The CBI said figures from its pay databank showed signs of pay settlements in both manufacturing and private services starting to ease, although unit labour costs in manufacturing were still rising at an annual rate of 6.5 per cent.

The CBI's survey of settlements in 1,000 manufacturing and 200 service showed a drop in the level of manufacturing pay settlements from 8.9 per cent in the second quarter of this year to 8.5 per cent in the third quarter.

The slowing in manufacturing pay settlements to 8.5 per cent – as yet only an estimate – takes the figure back to the level of the first quarter of this year. It is the first quarterly fall since the start of 1988.

The figures contrast with a continuing rise in Government estimates for gross earnings increases. The latest figures to July show earnings rising at 10 per cent across the whole economy and 9.75 per cent in manufacturing.

The CBI figures include only pay settlements, and exclude increases in gross earnings due to such factors as longer working hours or improvements in individual bonuses.

The last quarter of the year includes important manufacturing pay negotiations in the car industry at companies such as Jaguar and Rover Group. Workers at Ford are likely to get increases of over 12 per cent.

● INFLATIONARY pressures in the UK economy pushed the cost of materials and fuel for manufacturers up by 2.2 per cent in September - the biggest monthly rise for 14 years - it was announced yesterday.

The Central Statistical Office said the Gulf crisis and higher oil prices accounted for about 70 per cent of the unexpected increase in producers' input prices.

Sterling's movement restricted within 12% band

THE new parity grid of the exchange rate mechanism of the European Monetary System shows the ranges within which sterling may now move against any of the other eight currencies in the system, writes Martin Wolf.

Sterling's upper limits against any one of the other currencies is 6.18 per cent above the central rate and its lower limit 5.82 per cent below, giving a theoretical band width of 12 per cent.

These percentages have been chosen to ensure that the maximum permitted appreciation of sterling against any other currency in the mechansim is equal to the maximum permitted depreciation of the other currency against sterling. Also shown are the central rates of EMS currencies against the Ecu currency basket.

In principle, ERM currencies are limited to a "maximum divergence spread" of either 2.25 per cent or, in the case of sterling and the Spanish peseta, 6 per cent from their central rates against the Ecu.

Before calculating the maximum divergence spread, however, complex adjustments to the Ecu basket have to be made to exclude the effect upon it of the diverging currency itself. Also necessary is adjustment for those currencies that are not within the ERM on narrow bands.

When the "divergence indicator" reaches a threshold, defined as 75 per cent of its maximum divergence spread, there is a presumption that action will be taken by the authorities responsible for the diverging currency.

NEW CENTRAL RATES units per Ecu	
Belgian franc	42.4082
Danish kroner	7.84195
D-Mark	2.05586
Spanish peseta	133.631
French franc	6.89509
Irish punt	0.767417
Italian lira	1538.24
Luxembourg franc	42.4082
Dutch guilder	2.31643
UK pound	0.696904
Greek drachma	205.311
Portuguese escudo	178.735

BILATERAL CENTRAL RATES AND SELLING AND BUYING RATES IN THE EMS FROM YESTERDAY

		BFr100=	DKr100=	FFr100=	DM100=	I£=	L1,000=	Fl100=	Pta100=	£1=
BELG/LUX:	S		553.000	628.970	2109.50	56.5115	28.1930	1872.15	33.6930	64.6050
	C		540.723	614.977	2062.55	55.2545	27.5661	1830.54	31.7316	60.8451
BFr/LFr	B		528.700	601.295	2016.56	54.0250	26.9530	1789.85	29.8850	57.3035
DENMARK:	S	18.9143		116.320	390.160	10.4511	5.21400	346.240	6.23100	11.9479
	C	18.4938		113.732	381.443	10.2186	5.09803	338.537	5.86837	11.2526
D.kr	B	18.0831		111.200	373.000	9.9913	4.98500	331.020	5.52600	10.5976
FRANCE:	S	16.6310	89.9250		343.050	9.18900	4.58450	304.440	5.47869	10.50550
	C	16.2608	87.9257		335.386	8.98480	4.48247	297.661	5.15981	9.89389
Ffr	B	15.8990	85.9700		327.920	8.78500	4.38300	291.040	4.85950	9.31800
GERMANY:	S	4.95900	26.8100	30.4950		2.74000	1.36700	90.7700	1.63300	3.13200
	C	4.84837	26.2162	29.8164		2.67894	1.33651	88.7526	1.53847	2.95000
DM	B	4.74000	25.6300	29.1500		2.61900	1.30650	86.7800	1.44900	2.77800
IRELAND:	S	1.85100	10.00870	11.3830	38.1825		0.510246	33.8868	0.609772	1.16920
	C	1.80981	9.78604	11.1299	37.3281		0.498895	33.1293	0.574281	1.10118
I£	B	1.76950	9.56830	10.8825	36.4964		0.487799	32.3939	0.540858	1.03710
ITALY:	S	3710.20	20062.0	22817.0	76540.0	2050.03		67912.0	1222.30	2343.62
	C	3627.64	19615.4	22309.1	74821.7	2004.43		66405.3	1151.11	2207.25
L	B	3546.90	19179.0	21813.0	73257.0	1959.84		64928.0	1084.10	2078.79
NLANDS:	S	5.58700	30.2100	34.3600	115.2350	3.06700	1.54000		1.84050	3.52950
	C	5.46286	29.5389	33.5953	112.6730	3.01848	1.50590		1.73345	3.32389
Fl	B	5.34150	28.8825	32.8475	110.1675	2.95100	1.47250		1.63250	3.13050
SPAIN:	S	334.619	1809.40	2057.80	6901.70	184.892	92.2400	6125.30		203.600
	C	315.143	1704.05	1938.06	6500.00	174.131	86.8726	5768.83		191.750
Pta	B	296.802	1604.90	1825.30	6121.70	163.997	81.8200	5433.10		180.590
UK:	S	1.74510	9.43610	10.7320	35.9970	0.964240	0.481050	31.9450	0.553740	
	C	1.64352	8.88687	10.1073	33.8964	0.908116	0.453053	30.0853	0.521514	
£	B	1.54790	8.36970	9.5190	31.9280	0.855260	0.426690	28.3940	0.491160	

S = Exchange rate at which the central bank of the country in the left hand column will sell the currency identified in the row at the top of the table.C = Bilateral selling rte.B = Exchange rate at which the central bank of the country in the left hand column will buy the currency identified in the row at the top of the table.

Jacqueline's choice

William Packer in Paris views the pictures Picasso's widow kept to herself

Picasso: une nouvelle dation, now at the Grand Palais in Paris (until January 14), puts on show the work accepted from the family by the French Government, in settlement of the estate of Jacqueline Roque, Picassos's last wife, who died in 1986. Unlike the previous *dation*, which now furnishes the Musée Picasso, this will not be kept together but distributed among museums throughout France, to flesh out and balance the existing collections. This, therefore, is the only chance to see the mass of what the long-reclusive Jacqueline kept to herself of the work of her husband.

Yet more Picasso for France? What with the holdings in Paris alone, and the Musée Picasso itself full of the stuff, surely enough is enough? But the truth is that the greater the artist, the more there remains to discover in his work, not only in the circumstances of his life and in the development of his ideas and practice, but in the experience it offers, quite beyond and independent of his intentions, directly to anyone prepared to come back to his work again, and again.

It is the more astonishing in this present situation to be reminded that even so late as 1945 there were but three of Picassos's works in public collections in the whole of France – two together in Grenoble and one in Paris. That such an *embarras de richesse* should now obtain is effective tribute to the policy instituted in 1968 by André Malraux, which looked to *l'enrichissement du patrimoine* by the generous acceptance of material in kind in settlement of an estate. What our Treasury seems only to see as a barely legitimate mechanism of tax avoidance, the French openly welcome as something clearly to the public good.

After Picasso's death in 1973, it took six years to agree upon the substance of the *dation* or gift. But it proved spectacular, and within another six years funds had been found and the Hotel Sallé in the Marais magnificently converted to house it in its entirety. Now, some four years after the death of Jacqueline, Picasso's last model, mistress and wife, comes a second tranche, not so large, perhaps, but spectacular enough and in its way no less comprehensive.

It comprises 47 paintings, two sculptures, 40 drawings, 24 sketchbooks, 19 ceramics and 245 prints, of which last only a selection can be shown, with the bonus of a major late cubist still life by Braque, a collage painting of 1913. The real excitement is in being shown so many works familiar enough in kind but, in the particular example, at best only rarely seen, more often quite unknown. All periods of Picasso are covered, but not evenly. The sculptures are chance items, one an early wood-carving, the other the cast of a war-time assemblage, while the prints cover only the two great periods of activity as a print-maker, the 1930s and the last decade of his life. The sketchbooks follow a steady chronology, but the drawings stop at 1955. And the paintings, that make up the commanding contribution to this exhibition, fall emphatically in two, as it were before and after Jacqueline.

Given her jealously protective possessiveness of Picasso once she displaced Françoise Gilot as the dominant woman in his life, we might have expected this collection to be very much a celebration of *les années Jacqueline*. They indeed are given their full place, but not quite in the way we might have expected. The earlier periods account for nearly half the paintings, and the women who occupied them are properly acknowledged by images, among others, of Françoise Gilot as a kind of flower, and of Olga, his first wife, in a lovely grisaille of 1920.

Jacqueline had met Picasso in the summer of 1953 and within a year was living with him, yet the earlier years of their relationship are quickly passed over, represented here by but two paintings of the mid 1950s for which she was the model – a portrait and a splendid large collaged reclining nude. Two panels of 1958 for a UNESCO mural and a study for the great sequence after Manet's *Déjeuner sur l'herbe* and we are into the mid 1960s and a run of some 20 paintings that takes us through to the death. Taken with the bulk of the etchings and engravings shown, they place the overall emphasis very firmly on the product of Picasso's extreme old age. And if, in their loose and open handling, we may think to read into them hints of failing powers and lost control, we have only to look at the graphic work for a corrective, seeing a desperate, creative vitality sustaining him almost to the last.

But desperate is the right word, for if our admiration and astonishment are rightly won by the sheer physical energy and undiminished formal inventiveness of the old man, our humane sympathy cannot but be engaged by the images of which they express. The paintings mitigate the desperation, perhaps, with a certain humour, the women idealised still, the men gently burlesqued beneath the grotesquerie. But the etchings tell darker and unmistakeable a story, of a man at once obsessed and terrified by human sexuality. The subject is as old as art but here is taken quite beyond the erotic into the borderlands of the obscene.

But how can the truth ever be obscene? And here there is a dark beauty to be found in the anguished truthfulness of this old and great artist. The artist and his model, the Bull confronted by his executioner, the Minotaur frustrated of his sacrifice: Picasso mythologised his private obsession throughout his life, Man, gross and bestial, condemned for ever to be tormented and at last destroyed by Woman. Even in these late images of the bordello, there is still to these self-flaunting women a saving vestige of the ideal, for ever just out of reach. But the more haunting statement of this great theme, the more so for being as yet spared of its direct horror, comes somewhat earlier, from 1934, in one of the most lovely of the drawings in the show, of the blind Minotaure being led through the maze by a little girl.

'Bacchanale', drawing, by Pablo Picasso

The Clandestine Marriage

THEATRE ROYAL, BRISTOL

Garrick and Colman's play first opened the same year as this theatre, in 1766, and the Bristol Old Vic has moved the action to Bristol instead of London. Thirty-odd years before, the Lord Chamberlain had been given his powers over the theatre, and comedy had lost some of the zing it had in Restoration times. *The Clandestine Marriage* is a parade of current clichés, and the public would no more have had it otherwise than the audiences of *Yes, Minister*. They wanted to laugh at people they reckoned they knew.

The plot at least begins in a new way. Fanny, younger daughter of rich, common City man Sterling (Patrick Malahide), has already been secretly married to Lovewell (David Acton) for four months, and their determination not to tell anyone is threatened by her increasing waistline. Saskia Wickham, a charmingly guileless Fanny, has a way of lacing her fingers across the top of her skirt that would have given things away to her mother if she had one, but now she has only her Father, who thinks of money alone, and his widowed sister Mrs Heidelberg (Carol Gillies), not much better.

Fanny's elder sister (Caroline Harding), properly known only as Miss Sterling, is pledged to Sir John Melvil, nephew of the rich and lecherous Lord Ogleby – a union that will bring Sterling a big profit, Melvil a wealthy home and Miss Sterling a great packet of jewellery. But Sir John changes his mind and falls for Fanny. Among other complications, Fanny tries to explain to Ogleby why this won't do, and Ogleby assumes that she means that she's in love with him. As My Lord is played by Timothy West as a kind of sentimental Falstaff, such a misunderstanding deceives the Sterlings and the Melvils no more than us.

But belief is not a serious factor of the plot, which needs only to let the comic characters show how comic they are. Timothy West is very comic indeed, both by his own efforts and those of the director, Paul Unwin, who first shows him being raised from his four-poster with a kind of domestic tripod.

The others are mostly cartoon characters. Fanny and Lovewell are young lovers from 18th-century stock. Malahide's Cockney Sterling (why not a Bristol accent?) cares less for love than for money, and is happy to see his younger daughter married before his eldest if the financial details are successfully adjusted. Mark Tandy's Melvil is curiously sinister as well as handsomely romantic, and we can see that, as with everyone except the young couple, his feelings are less than devoted. "I love you, most passionately," he tells Fanny, looking in another direction.

Paul Unwin has devised some attractive scenes, culminating in a really pretty candlelit ensemble. There is 18th-century music (Claude Daquin, is it?) orchestrated in a 20th-century way. The designer, Tim Reed, has panelled the interiors of the Sterling house mostly with navy-blue planking, but this gives way as required to more romantic scenes, including the garden, planted with a maze of hedges that need careful exploring, and backed with a steeple – Sterling's "improvements".

B.A. Young

Herringbone

KINGS HEAD THEATRE

Kerry Shale obviously likes a challenge. It seems that a basic one-man show is not demanding enough for him.

So in *Herringbone* (the title refers to his suit not his fish-like appearance) Shale plays 11 characters. He dances, he sings, he enacts a story – book by Tom Cone, lyrics by Ellen Fitzhugh – so bizarre that a summary does not do it justice: Alabama boy, aged eight, wins public-speaking prize; travels to Hollywood, charged with the task of saving his family from the worst of the Great Depression, and is possessed by the soul of a 37-year-old, 36-inch-high vaudeville dancer bent on lechery and homicide.

Enough said. *Herringbone* is a showcase stacked with Shale's talents, some of which are already familiar to BBC radio listeners from his solo readings of Leo Rosten and Woody Allen.

It is 1929 – "one of those years" as the opening song puts it – and Uncle Billy, cultural attaché to several world capitals, has been killed by a falling stockbroker. To the Nookin family's disgust (Shale plays everyone from eight-year-old George to his grasping granny), Billy gives away his fortune and instead bequeaths to them his car, his aspirations and a maxim: "Culture during hard times does real well".

The humour of this situation is very black, and, in the first half at least, very funny. Having realised that Culture might equal Money, George's parents are prepared to tolerate almost anything: the lad may be possessed, he may be a murderer, but the talent with which Lou, the dancing midget, inspires him is the Nookins' lifeline.

Alastair Muir

Kerry Shale

Unfortunately, although Shale's reptilian contortions are wonderful throughout, he seems to be let down by the book in an over-long second half. The struggle between Lou's foul desires and George's childish fears is less enthralling without the supporting cast of characters animated by Shale in part one, and the dénouement is strangely disappointing.

But the show is carried over its weaker points by the sheer energy of a central performance in the great vaudevillian tradition. Perhaps the biggest compliment one can pay Kerry Shale is that he may be a showman, but in Benjamin Twist's production he is never a show-off.

Andrew Hill

A Gala and a Défilé

OPERA GARNIER, PARIS

There are few sights more exhilarating in the theatre than a *défilé* at the Paris Opéra. The back of the Palais Garnier stage is opened up to the furthest recesses of the Foyer de la Danse. Down the 46 metres of this depth (doubled for the spectator by the mirrored back wall of the Foyer) process the 150 dancers of the ballet preceded by 100 students from the School.

The youngest children come first, counting steps as they interminably walk, spaghetti limbs carefully placed, heads high, conscious already of the glory that imbues the school, the company, the occasion. Then the ranks of the ballet troupe, each section led by an *étoile*, the men following the women, as the march from *Les Troyens* rings out, until the ritual is complete.

There, fanned out for us, are the heirs of Louis XIV's first *Académie d'Opéra*, proud representatives of their school and theatre, and – I'd venture – of their nation. Like any good parade in France, there is a sense of *gloire* to the events and a true Frenchman's (and a true ballet-goer's) heart lifts at the sight.

Last Wednesday, to inaugurate a new season and the start of Patrick Dupond's directorship of the ballet, we had a *défilé*, and at Dupond's initiative it was made a tribute to the former *étoiles* of the house. So, after the school and company were in place, there arrived the great names, starting with recently retired stars and graduating to the most senior divinities: Yvette Chauviré, Nina Vyrubova, Lycette Darsonval, Michel Renault and Serge Peretti.

Here indeed was much of the illustrious present and recent past of French ballet, greeted with a shower of rose petals as we cheered and cheered. The *défilé* came at the end of an evening which showed the exceptional strength of the company today, and served to mark the first imprint of Dupond's personality on the troupe he has inherited after Nureyev' seven splendid years in command.

The other dominant presence of the evening (and of the first programme of the new season on the next night) was that of Serge Lifar. Lifar rescued French ballet from stagnation in 1930, encouraged many of the illustrious names we saw returned to their home stage, shaped their talents in his repertory, and it was fitting that both evenings should begin with his *Suite en Blanc*. This is an unashamed piece of technical flag-waving, created in 1943, a significant time as, under the Occupation, Lifar kept his company and the idea of French ballet defiantly alive.

The Lalo score is an excerpt from one of the supreme examples of French ballet music; the bright flash of technique is everywhere sparked off by the tremendous challenges of the choreography. This enshrines Lifar's neo-classic inventions – feet in parallel positions; arms held in curves that form complementary arcs – which give savour to the dance's naked demands for academic assurance.

It must be said, though, that at these two performances Lifarian style appeared homogenised, insufficiently nuanced. Watching the former stars in the *défilé*, it was impossible not to recall Chauviré's grace in the Flute variation, Vyrubova's wit in *La Cigarette* and Youly Algaroff's dashing way with the Mazurka. But I salute the best cast I ever recall seeing in the trio – Elisabeth Platel, Manuel Legris and Kader Bélarbi, who were grand and transcendentally elegant on Thursday night.

The gala also brought its share of sweetmeats, and the return of certain well-loved artists who had left the troupe. Eric Vu An created a world of feeling in a section from Béjart's *Kabuki*; Noella Pontois and Manuel Legris coruscated in Balanchine's *Chaikovsky pas de deux*; Robbins' *In the Night* was given luscious interpretation by Monique Loudières and Jean-Yves Lormeau; Elisabeth Platel and Laurent Hilaire; Isabelle Guérin and Jean Guizerix – now *there's* a cast – and Dominique Khalfouni and Patrick Dupond were all emotion in the culminating scene of Roland Petit's *L'Arlésienne*.

The Lifar tribute on Thursday was rather like time-travelling. As the perspective of the years lengthens, the significance of Lifar's work becomes clearer. Director for nearly 30 years, he gave the Opéra ballet renewed life and dignity, and his choreographic procedures – so different in their classic ideals from the Petipa/Balanchine/Ashton manner which has dominated much of our comprehension – retain a fascinating potency. This is a style of grandiloquence, of bold plastic forms – very like Lifar's own dancing – and in *Les Mirages*, *Istar*, and even in the romantic *Variations* for six ballerinas, which completed the programme with *Suite en Blanc*, it held the stage.

Both *Istar* and *Mirages* now look period pieces (one might expect to find them amid the Art Deco treasures in the Louvre des Antiquaires), yet there is a vision which colours every moment of dancing, so that it seems heroic and at the same time dogmatic in its insistance upon certain rules of movement. Given, however, with the imaginative and technical power that Manuel Legris and Monique Loudières lavish on their roles of the Young Man and his Shadow in *Mirages*, Lifarian style commands the stage.

Thus the Opéra Ballet, poised on the brink of a new season, a new directorate, a new decade. On Wednesday night the company could see many of the reasons for its present excellence, and every reason to hope for excellence in the future.

Clement Crisp

Chick Corea Elektric Band

ROYAL FESTIVAL HALL

Pianist Chick Corea is the definitive jazz fusionist and the afficionados were out in strength for this rare UK outing with his Elektric ensemble: John Patitucci on base, Frank Gambale on guitar, Dave Weckl on drums, and saxophonist Eric Marienthal. Supergroup of fusion virtuosos, the Quintet has been together for over five years and it shows. Working through a long set, the numbers coming in chronological order starting in the 1970s when Corea was a Miles Davis sideman, the band is effortlessly and telepathically typed.

For many people, fusion is the sound you hear at music fairs being used to demonstrate the latest in Japanese hi-tech instruments. For others it is the record which people mistakenly think they can dance to at a party. Being part rock and part modern Jazz and consisting of short, often complicated solos, numbers have structure but can lack in soulfulness.

What Corea's compositions lack in melody and warmth, the technique and technology involved more than compensates and the RFH performance was a showcase of his best. "Sidewalk" from the first Elektric band album is typical. With Corea up front, the keyboard on a shoulder strap, exchanging tough percussive solos in a seemingly perfunctory way with base, sax and guitar, the playing is dazzling.

The speed and clarity of Patitucci's base playing is also extraordinary. His chipolata fingers work six string instruments to produce chops that Joe Pass would envy. Gambale, on the other hand, provides the rock part of the fusion which means leather trousers and heavy fuzz guitar breaks. The sax meets them some where between and Weckl's hard precise technique puts the edge on the sound. Corea himself, alternating between the Elektric grand and one-handed on the portable is modest in his soloing by comparison, more often tinkering with intent.

By the middle of the second set, with material from the most recent album, *Inside Out*, the band stretches out and some embarrassed dancing even breaks out amongst them. Fortunately this doesn't last long enough to forestall a yet harder collection of solos followed by a call and answer piece with an audience of what I suspect were predominantly young secondary school music teachers.

They might not have come away from the performance humming tunes from *Inside Out*, but more likely wondering if the music department's budget could stretch to a Kurzweil MIDI board or a six string electric base.

Garry Booth

ARTS GUIDE

October 5-11

OPERA AND BALLET

London

Royal Opera, Covent Garden. Further performances of the new production of *Siegfried*, latest instalment in the Götz Friedrich "time-tunnel" production of Wagner's Ring. Bernard Haitink conducts, René Kollo takes the title role, and the cast also includes, James Morris, Alexander Oliver, Gwyneth Jones and Ekkehard Wlaschiha. Final performances of the *Turandot* revival, one of the company's most colourful and imaginative efforts of the last decade. Galina Savova, Nicola Martinucci, Lucia Mazzaria and Robert Lloyd take leading roles, and Colin Davis is the masterly conductor.

English National Opera, Coliseum. Final showing of *Greek*, the sensational and brilliant opera by the young English composer Mark-Anthony Turnage based on Steven Berkoff, with a cast of four – Helen Charnock, Fiona Kimm, Quentin Hayes, Richard Suart – conducted by Richard Bernas. More performances of the cogent, boldly expressionist new production of *Wozzeck*, staged by David Pountney, with Donald Maxwell in the title role; and of *The Magic Flute* in Nicholas Hytner's fresh and uncluttered production.

Sadler's Wells. The very lively Phoenix Dance Company, a popular contemporary company directed by Neville Campbell, has its debut tonight at Sadler's Wells and will run for a brief season. (278 8916).

Paris

Théâtre de la Ville. Merce Cunningham is followed by Angelin Preljocaj with a premiere of *Amer America*, where eight dancers enact the hopes of the American dream of immigrants set against the harshness of reality (42742277).

Opéra. Palais Garnier. Soirée Serge Lifar brings back *Suite en blanc*, *Istar* in Leon Bakst's costumes, *Variations* and *Mirages* (47425371).

Chatelet. *The Black Rider*, a rock comedy, is produced by Robert Wilson to music and songs by Tom Waits and words by William Burroughs (40282840).

Brussels

Salle Saint Michel. The Max Zygmunt Orchestra and soloists perform Mozart's *Don Giovanni*, Philippe Mercier conductor, staging by Ronny Lauwers (010-47 48 76).

Cirque Royal. Maurice Béjart and the Béjart Ballet Lausanne in *M pour B*, *7 Tangos*, *Nomos Alfa*, *Hamlet*, *Pyramide* (02-347 65 50).

Antwerp

Koninklijke Vlaamse Opera. The Royal Flanders opera company in Richard Strauss's *Elektra*. Stefan Soltesz conductor, staging by Nuria Espert with Eva Marton, Stephanie Sundine (03-220 83 26).

Amsterdam

The Netherlands Opera in Mozart's *Entführung aus dem Serail*, directed by Helmut Polixa. Netherland Chamber Orchestra conducted by Hartmut Haenchen, with Jürg Löw as Selim, Sally Wolf as Constanz and Bruce Ford as Belmonte (Thur). Muziektheater (255 455).

Barcelona

Ballet Cullberg dances *Giselle*, choreography by Mats Eko. Ends Wed. Gran Teatre del Liceu (412 14 66).

Madrid

American Ballet Theatre. This acclaimed US company, now on a world tour, stops in Spain for this year's Madrid autumn festival, dancing *Giselle* (Wed, Thur). *Palacio de los Deportes* (401 91 00).

Teatro Lirico Nacional la Zarzuela. *Don Juan* adapted by Miguel Narros. Choreography by Jose Antonio and music by Jose Nieto, accompanied by the Madrid Symphony Orchestra conducted by E. Garcia Nieto. Ends 21 October. (429 82 25).

Milan

Teatro Nuovo. Pina Bausch's Wuppertal Tanztheater dancing *Gebirge*, *Made in 1984*, and *Bill T* (78.12.19).

Rome

Teatro Olimpico. The Iso Dance Theatre of New York with a new work, *Time Out* (from Thur) (393304).

Berlin

Opera. *Zar und Zimmermann* is a well done repertoire performance. *Salome*, expertly conducted by Guiseppe Sinopoli has Catherine Malfitano outstanding in the title role. Also offered *Rigoletto* and *Der Barbier von Sevilla*.

Hamburg

Opera. *Carmen* stars Alicia Nafe in the title role. *Fidelio* in Peter Paltizschi's production has a first-rate cast led by Ana Pusar, Matthias Hoelle, Josef Protschka and Matti Salminen. *Romeo and Juliet* has John Neumeier choreography.

Frankfurt

Opera. *Macbeth* is the second successful opera production in Frankfurt by Cesare Lievi with Rosalind Plowright excellent as Lady Macbeth. Also offered William Forsythe's ballet *The Vile Parody/Steptext/New Sleep*. Also Gluck's *Iphigenie en Tauride*, sung in French with Sylvie Brunet, Christopher Robertson and Keith Lewis.

Bonn

Opera. *Fausts Verdammung* returns with a new cast led by NeilRosenshein in the title role, Dolores Ziegler and John Macurdy, conducted by Serge Baudo.

Cologne

Opera. *Orfeo ed Euridice* is sung by Kathleen Kuhlmann and Jung Ae Lee. *Fidelio* features Nadine Secunde, Wolfgang Schmidt, Hartmut Welker and Matthias Hoelle.

New York

Metropolitan Opera. The season continues with the first performances of *Boris Godunov* conducted by Yevgeny Svetlanov with Stefania Toczyska, Gary Lakes and John Shirley-Quirk in August Everding's production. Franco Zeffirelli's production of *La Bohème* continues with Mirella Freni, Placido Domingo and Brian Sxhexnayder, conducted by Christian Badea, as well as Rigoletto conducted by Guido Ajmone-Marsan with Jerry Hadley in Otto Schenk's production (362 6000).

New York City Opera. The New York stage premiere of Schoenberg's *Moses und Aron* is conducted by Christopher Keene in Hans Neugebauer's production with Richard Cross and Thomas Young in the title roles. The week includes *La Fanciulla del West* in Frank Corsaro's production conducted by Arthur Fugen and Madama Butterfly. New York State Theatre, Lincoln Center (870 5570).

Washington

San Francisco Ballet. This well-regarded company arrives for a week of mixed repertory. Opera House, Kennedy Center (467 4600).

Chicago

Lyric Opera. Wolfgang Brendel has the title role in *Eugene Onegin*, conducted by Bruno Bartoletti in Pier Luigi Samaritani's production, with Anna Tomowa-Sintow as Tatiana and Gosta Winbergh as Lensky. *Alceste* continues with Jessye Norman in the title role, Chris Merritt as Admete and John Brandstetter as the High Priest in Robert Wilson's production conducted by Gary Bertini. Civic Opera House (332 2244).

Rembrandt comes to NG

"This is the most ambitious exhibition in our history", said Mr Neil MacGregor, director of the National Gallery in London yesterday, when revealing details of the major Rembrandt show which reaches the NG on March 26, 1992 on the third leg of a tour which will have taken in Berlin and Amsterdam. American Express is making the event possible with a donation of \$2m, plus promotional expenses.

It will consist of 50 paintings by the Dutch 17th century artist, plus other works by his pupils, some of which until recently have been attributed to the Master. At the same time the British Museum in London will be exhibiting its unrivalled collection of eighty drawings by Rembrandt for the first time since 1938.

This important Rembrandt show is most timely. In recent years the experts have been closely examining the works attributed to Rembrandt and found many wanting. Already the 650 paintings once considered to be in his hand have been whittled down to 400, and when the investigation is completed only 300 paintings may be confidently assigned to Rembrandt.

As Mr Martin Royalton Kisch of the British Museum pointed out yesterday a similar exercise was taking place over the "Rembrandt" drawings and around a third had now been discarded. The BM was resigned to having 20 per cent of its "Rembrandt" drawings de-attributed.

Dr Christopher Brown, the Chief Curator at the National Gallery, does not agree with every decision by the panel working its way in Amsterdam through the Rembrandt oeuvre, but he is taking a positive line on holding a Rembrandt exhibition at a time when the artist is up for serious re-assessment, both in terms of his output and his contribution to art history.

The National Gallery will also be exhibiting 20 works which have traditionally been attributed to Rembrandt and which are now considered to be by his followers. To help explain how art historians have arrived at their re-appraisals the 20 former "Rembrandt" paintings will hang alongside autograph works by the artists, such as Dou, now credited with the paintings. In effect the NG is letting the public make up its own mind.

The importance of the exhibition has been intensified in the last month by the decision to hold the Berlin display in the Altes Museumin what was formerly East Berlin. The three participating museums will each contribute six major Rembrandts from their own collections, with the rest of the works, all of which are accepted as genuine, coming from other public and private collections.

Antony Thorncroft

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Crisis of governance

US budget-making has become a lamentable shambles. Nine months of negotiation ended in rejection by the Congress last Friday. True, the proposed $40bn package of tax increases and spending cuts was little more than a token gesture. But it was better than nothing. Even so a hint of higher taxes and reduced entitlements were too much for nervous Congressmen to countenance in the run-up to November's elections.

Now that their political positions have been noted, and opposition to tax increases recorded, a compromise package will be cobbled together. The Washington monument will be reopened to the public. But the budget deficit will remain at over 5 per cent of gross domestic product next year, and probably as much the year after that.

The scale and persistence of the budget deficit does not appear to be a serious electoral issue. Perhaps this reflects the informed perception of a rational electorate. More probably, it reflects a weary cynicism about the machinations of politicians in Washington.

Does the deficit matter? Talk of insolvency seems more appropriate to governments in South America than to the United States. In the former the pattern of rapidly rising debt, accelerated by borrowing to pay interest, has been all too familiar. Eventually investor confidence collapses, the exchange rate plunges and governments are forced into hyperinflationary money creation.

Debt ratio

The solvency of the United States is not in doubt, at least in the short to medium term. The ratio of debt to gross domestic product in the US is not so different from that in Britain. The difference is that it has declined across the 1980s in the UK, while gross public debt has risen sharply in the US, from 37 to 51 per cent of gross national product, between 1981 and 1990. Foreign investors will continue to hold US government securities, though the recent fall of the dollar suggests they are decreasingly happy to do so. Many will be prepared to buy the new issues. But even for the US debt accumulation cannot continue indefinitely, while the end is likely to be both abrupt and painful.

A more immediate problem is the effect of the deficits on the prospects for American living standards. The problem here is the decline in national savings of which the federal deficit is an important component. Some have argued that citizens would save to pay the future taxes that their government's profligacy will eventually require. But in the US the opposite has, in fact, occurred.

Future consumption

Increases in future consumption are always secured by investment today. But in the US gross private investment has fallen as a percentage of gross national product, from 18 per cent in 1979 to 15 per cent in 1989. Investment has not fallen still further because the shortfall between national savings and investment has been made up by borrowing from abroad. But he who saves now consumes later. That potential consumption will flow abroad, as interest payments on outstanding debt.

Slower growth of living standards and the threat of future insolvency are not the only concerns. To rely on foreign investors to fund domestic consumption can lead to unpleasant surprises. Foreign investors cannot withdraw their holdings from the US en bloc, since there is no one to whom they can sell them. By attempting to do so, however, they will force down the dollar. If this slide were to turn into a precipitate fall, the US might be forced to raise interest rates, even in the teeth of a recession.

The US may be moving into an era of disappointingly slow increases in living standards and unpredictable exchange rate crises. The unprecedented decline in the value of the dollar during a major international crisis is thus a harbinger of instability to come.

Higher national savings are essential if this difficult period is to be short-lived, a goal to which the elimination of the structural budget deficit would make a valuable contribution. There is a vicious circle: voters expect little of politicians and politicians respond to their cynicism by confirming it. If no one can break the circle, the voters themselves will pay the price.

The voice of small business

THE plan by Britain's chambers of commerce to upgrade the quality of services they provide to their members has much to recommend it. The imminent creation of the Single European Market means that Britain's business community needs more than ever an effective, locally-based business support organisation. Many continental countries already have well-resourced chamber networks which enjoy public law status.

The programme announced last week by the Association of British Chambers of Commerce is ambitious, particularly when set against the uneven performance of the country's 110 local chambers in the past. Some provide a high level of service to their members but many do not and at the national level the chambers lack influence.

The association's Effective Business Support campaign calls for the creation of a national electronic information network covering the products and services of the 70,000 member businesses. Chambers will be merged where necessary and new ones opened to achieve a more consistent geographical coverage.

Services provided by the chambers will be measured by tougher quality standards and an improved programme of training will be provided for managers and staff. Finally, a recruitment drive will be launched to take chamber membership to 150,000. The target date for completing this programme is 1994.

Even if this ambitious timetable can be kept to there is an inevitable feeling that the programme is 20 years too late. If the chambers had been providing the sort of service they now envisage throughout the 1970s and 1980s then there might have been no need for the present proliferation of private and public sector small business initiatives.

Substantial overlaps

The chambers are also unfortunate in that the timing of their campaign coincides with the creation of a nationwide network of Training and Enterprise Councils. If the TECs fulfil their role there may be substantial overlaps with the new-style chambers.

While there are attractions in letting a thousand flowers bloom in the business support field at a local level – good local practice can be picked up and applied nationally – the main national initiatives need to be co-ordinated to avoid undue waste of resources.

The potential conflict of interest between the plans from the chambers of commerce and the TECs may explain the very modest level of government support which has been forthcoming for the chambers. The DTI will provide £1.3m over the next four years to help 30 chambers with extra staffing costs.

Official channel

This level of funding does not suggest wholehearted government backing for the chambers' new plans. Even so there are suspicions among some of the other small business lobby groups that the chambers are hoping to achieve recognition as *the* official channel of government support for business.

Mr Miles Middleton, association president, says the chambers have no plans to seek public law status or the right to require businesses to become chamber members. However, companies might be required to file information on their business activities with the chambers, he suggests.

The fear among some small business groups is that if the chambers do acquire statutory powers this would impose a bureaucratic burden on business. A high degree of regulation would also sit uneasily in the more relaxed British business climate. It would be preferable for the chambers to establish a pre-eminent position on the basis of merit rather than rely on government patronage.

If the chambers can avoid the temptation to try to win an official seal of approval then any improvement in the level of service they offer will be welcome. The programme of improvements they hope to achieve has the potential to create a network combining strong local roots with a commitment to a consistently high standard nationwide.

The UK electricity industry sell-off may yield yet more surprises, says **David Thomas**

A large Tory banana skin

The sale of the electricity industry – the UK's biggest and most complex privatisation – is entering its last lap. Over the next six weeks, the government and its advisers hope to persuade up to 7m people to register an interest in buying shares in the 12 regional electricity companies.

Electricity is the high water mark of privatisation in Britain. More than 50 companies have been sold during the 1980s, thanks to a policy driven by three central concerns of the Thatcher government: competition, public spending control and the spread of share ownership.

After electricity, there will be little fresh to sell. British Coal, British Rail, the Post Office and the nuclear industry, the four main public sector survivors, will each prove formidably difficult to privatise, even if the next election returns a radical Conservative government bent on continuing the programme. In the short term, the government's remaining 49 per cent stake in British Telecom is one of the few large assets left to stoke the privatisation fires.

The electricity sale is the largest privatisation yet: total proceeds from a 100 per cent sale of the 17 electricity companies in England, Wales and Scotland are expected to be about £10bn. It is the most complex: no other privatisation has been preceded by a wholesale industrial reorganisation.

It has also been the most controversial and accident-prone of the big sell-offs. The reputations of one cabinet minister, Mr Cecil Parkinson, and the entire UK nuclear industry were damaged by the botched attempt to privatise the nuclear stations. The tortuous sale preparations have been punctuated by several explosive diversions, notably this summer's proposal to sell PowerGen, one of the two generating companies in England and Wales, to Hanson, the UK conglomerate.

The government's advisers hope the controversies are now behind them. The chairmen of the 12 regional electricity companies are in the final stages of agreeing their profit forecasts and dividend covers with the government. Decisions will follow on the share price, yield and, crucially, on whether to sell 100 per cent of the companies or only 60 per cent.

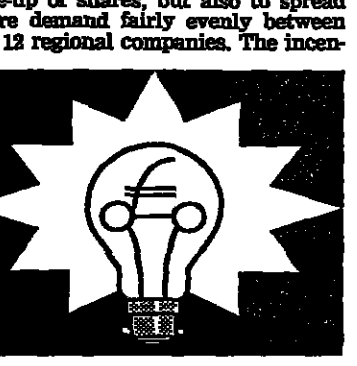
Last week saw the announcement of incentives for individuals to buy shares in the 12 regional electricity companies, the first tranche of the privatisation scheduled for December. "There is an enormous incentive for people to invest," said Mr David Clementi, a director of Kleinwort Benson, the government's financial advisers.

Kleinwort Benson pointed to the uniquely long phasing of the instalment payments to support its claim that these incentives are the most generous offered in a privatisation.

Customers who pay the minimum first instalment of about £100 in December could enjoy a return of over 30 per cent in the first year.

But the very generosity of these incentives underscores how important this privatisation is to ministers. The government's already battered reputation for economic management would be further dented, if the millions of people who are expected to apply for electricity shares failed to make a tidy profit in a pre-election period.

The department of energy is concerned not just to encourage a large take-up of shares, but also to spread share demand fairly evenly between the 12 regional companies. The incentives are designed to encourage individuals to buy shares in their local company, while institutional investors can buy a package of shares in all 12, a precedent set by last year's flotation of the water companies.



PRIVATISATION

At first sight, the electricity companies are a more varied bunch than their water cousins. The vast bulk of a regional electricity company's profits comes from charges for electricity distributed over its local transmission network. In one sense, these profits are safe because regional companies will retain a monopoly over their wires.

But in another sense, they are vulnerable to local swings in electricity demand. UBS Phillips & Drew, one of the few large City firms not acting as a broker to an electricity company, warned recently that regional declines in particular industries or local population migration would produce sharply different results in the companies.

The government has tried to anticipate such fears in two ways. First, those companies which appear to have the most fragile local economies – such as South Wales, Manweb and Northern – have been given a relatively easy passage into the private sector: they will be able to raise their prices more quickly than other companies, while they have been saddled with relatively light debt burdens.

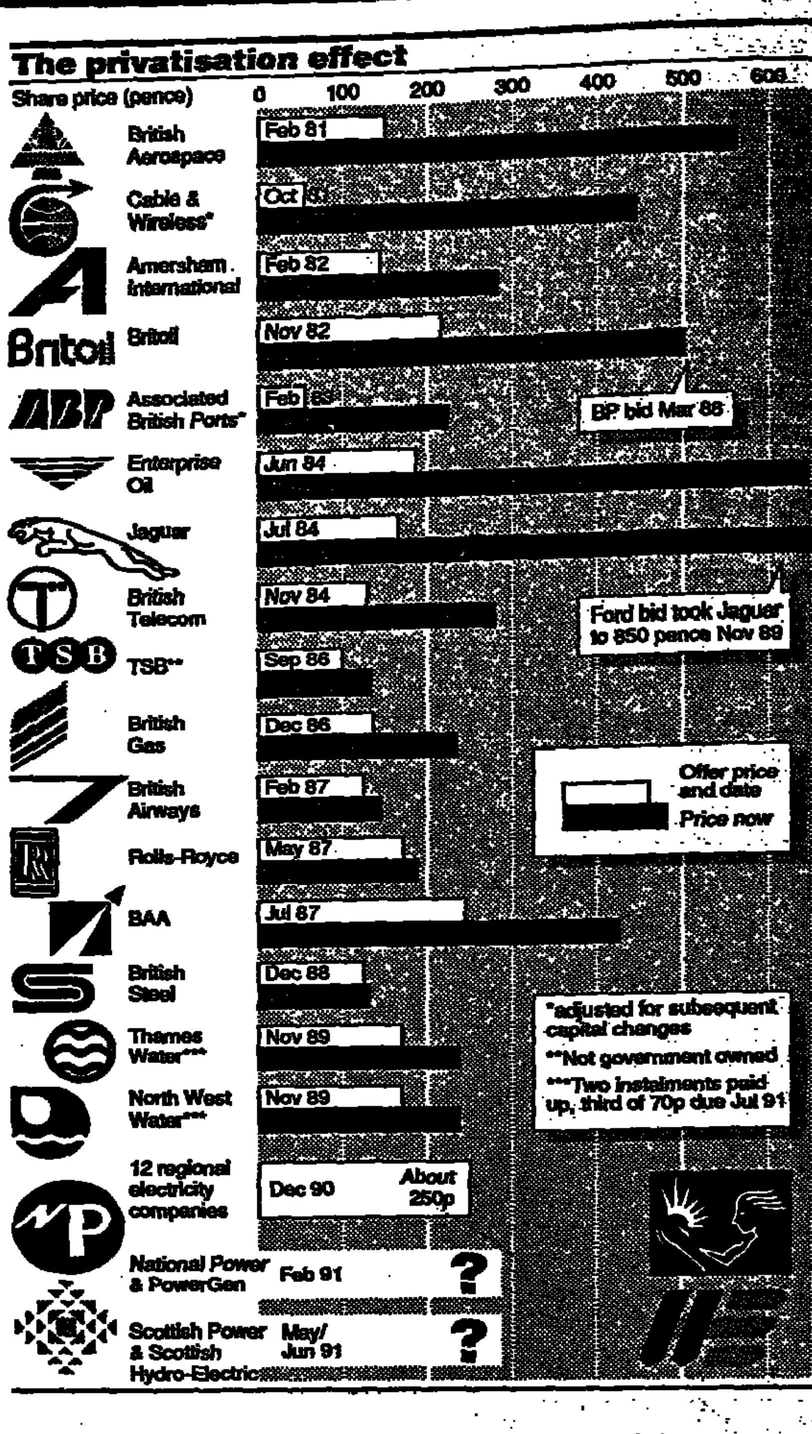
Second, the government has tried to avoid early shocks by presiding over the negotiation of a series of complex contracts which will shape the industry in its early years in the private sector. In particular, the three year coal supply contract between British Coal and National Power and PowerGen will introduce a modicum of price predictability and reduce the generating companies' initial ability to cut costs.

Once these initial contracts run out, however, uncertainties will begin to mount. Environmental concerns such as global warming and acid rain could force the industry into costly anti-polluting investment. The new electricity price-market or pool, in operation only since April, is almost certain to yield surprises. The industry's regulator, so far largely silent, may assert himself, as have his counterparts in telecoms and gas. Some electricity company chairmen, currently under a government three-line whip not to rock the boat, could try to make a mark with diversifications.

This list could be extended without mentioning the two great uncertainties – the outcome of the next general election and the course of the Gulf crisis.

A Labour government might take back under public control the National Grid Company, responsible for running the backbone of the electricity industry. It might also strengthen the regulator, and try to obstruct National Power's and PowerGen's plans for reducing their dependence on British coal while simultaneously increasing the environmental demands on the two generators.

In the shorter term, depending on its timing, a Gulf war could either scupper the entire privatisation or send the value of the electricity shares into a dive sufficient to wipe out the value of the incentive package. The recent turbulent stock market conditions have already forced the government to ponder the option of selling only 60 per cent of the companies. Even this late in the day, electricity privatisation may still yield surprises.



Performers for the punters

On the one hand the government has always wanted to encourage small investors to buy the shares of privatised companies, but on the other it runs the risk of being accused of giving assets away on the cheap. In the event, there has nearly always been a worthwhile premium for the punters, and sometimes a bumper one.

Over the years the government has refined the way in which it juggles allocations between different categories of buyers. Besides members of the general public (who are now divided into preferential and non-preferential groups), the offers are separately marketed to UK institutions and to foreign institutions. So-called "clawback" arrangements have been devised to help balance the allocations according to the unpredictable volume of public applications.

The grim situation of millions of small investors being stuck with big short-term losses has up to now been avoided, although it was a close-run thing with the BP issue in October 1987. Fortunately the stock market crash came a few days before the public would have sent in their application forms. If the crash had come afterwards it would have been a very different story.

Not all the flotations have proved immediately profitable. Jaguar, Enterprise Oil and British Steel achieved little or no premium on the first days of dealing. Most issues since British Telecom in 1984 have, however, gone to substantial premiums – usually between 35 and 80 per cent.

These numbers need to be qualified. They relate to the partly-paid prices: the bigger issues have been structured so that three payments are involved, with only about 40 per cent payable initially. A reasonable 10 per cent cent premium on the fully-paid price therefore appears as a 25 per cent profit to the new issue "stag".

At the same time, the downside risks are exaggerated should market conditions go wrong, although this problem has not affected recent issues. In fact the water industry flotation a year ago was priced near a stock market trough, leading to initial premiums of about 35 per cent for the largest businesses such as Thames and North West, and more than 50 per cent for one or two of the smaller companies.

What about the longer term? Most privatised stocks have convincingly outperformed the UK market as a whole (as measured by the FT-Actuaries All-Share Index) since their flotations. The stars have been Jaguar, thanks to the takeover at a fancy price by Ford Motor a year ago, and Cable & Wireless, which has more than doubled relative to the market in nine years.

Other particular success stories have included Enterprise Oil, especially since its recent run-up on the back of the oil price surge, and BAA, which is showing a healthy gain even though the stock market has dropped nearly 20 per cent since it was floated.

The only significant dullard has been Amersham International, the radioactive materials company which was brought to the market at a time when technology was glamorous. The shares soared to an embarrassing premium at the time, in February 1982, but subsequently the caution of the original pricing has been vindicated.

More recently, British Steel has gone nowhere very much in its nearly two years in the private sector, being viewed as a cyclical stock ahead of a likely recession. Elsewhere TSB, not strictly a privatised company, but floated in much the same way, has been a distinctly unexciting performer.

Otherwise, the big utilities British Telecom and British Gas have put in solid performances, and have beaten the index since becoming listed. British Airways sparkled to begin with, but its share price has weakened markedly this year.

In some cases private investors have done significantly better out of privatisation issues than might be calculated from share price movements because of the availability of various incentives.

On the basis of the record the government will take care to price the issue attractively. After the lucrative experience of the water share issues whetted their appetites it is no wonder that millions of investors are registering for the electricity flotation.

Barry Riley

OBSERVER

Power play in Japan

■ A Japanese language version of Karel van Wolferen's controversial book The Enigma of Japanese Power has finally emerged, only to be withdrawn from bookshop shelves within a few days.

The book is highly critical of many aspects of Japanese society. When first published two years ago it upset many Japanese leaders.

However, there has been an interesting development which says a lot about Japanese society in 1990.

It is not the industrialists or civil servants who are attacking the book now, but the lowly Burakumin. They are the descendents of a class of butchers, gravediggers, and the like, who were social outcasts in traditional Japanese society. They are now making their presence felt in a way which is making the rest of Japan feel most uncomfortable.

Wolferen claims in the book that some present-day Burakumin leaders and activists take advantage of their unfortunate background to intimidate authors and publishers to write only sympathetic accounts of them. The Burakumin Liberation League has promptly proved his point by claiming that Wolferen's account of them is inaccurate, and demanding that the publisher, Hayakawa Publishing, withdraw the book from the market.

Hayakawa first asked retailers to suspend sales, but then, after consultations with the author, decided to reinstate it. Kiyoshi Imaoka, an editorial director at Hayakawa, says, "Wolferen says in the book that freedom of expression is suppressed in Japan. If we give in to pressure, he would say, 'There you are'. I am also concerned it would become an international problem."

A leading intellectual, who asked that his name not be cited for fear of Burakumin retaliation, said yesterday that this incident just might bring an end to the taboo over criticising Burakumin. "If so, Wolferen will have done a great service for Japan after all," he says.

NUTS to EC

■ With a fine sense of timing, Price Waterhouse has just issued a guide to acronyms and abbreviations used in the EC.

Some of the more memorable include ACE (action by the community relating to the environment), ASCOT (assessment of systems and components for optical telecommunications), BRAIN (basic research in adaptve intelligence and neuro-computing), ECLAIR (European collaborative linkage of agriculture and industry through research), JOULE (joint opportunities for unconventional or long term energy supply).

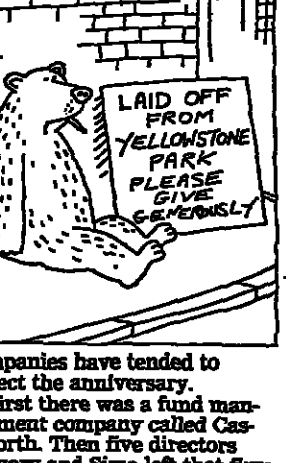
The ERM is in there – "Instrument for linking EMS currencies by means of a central rate accompanied by margins of fluctuation". But Price Waterhouse was pipped by John Major since it adds, "Exceptions are the escudo, drachma and sterling".

My own favourite is NUTS (nomenclature of territorial units for statistics).

Bridge players

■ This is the centenary year of that magnificent symbol of Scottish engineering the Forth railway bridge. The event was throughly celebrated at the weekend with parties and fireworks.

Meanwhile, in the comfortable surroundings of nearby Charlotte Square, Edinburgh, the fund managers employ themselves innocently setting up new fund management companies from time to time. And naturally the names of new companies have tended to reflect the anniversary.



First there was a fund management company called Castleforth. Then five directors of Ivory and Sime left that firm three months ago to form their own fund management group called Aberforth. And just two weeks ago Charles Edmond from brokers James Capel led a team to set up fund managers Tayforth.

Wags are already suggesting that the next new Scottish fund management company to see the light of day must logically be called Fourthforth. And, should it fail, it could be re-launched as Fifthforth.

Might that be a case of a bridge too far?

Bear caught

■ The views of British securities houses on US equity market trends do not usually cut much ice on Wall Street.

Yet for the past six months the opinions of Barclays de Zoete Wedd have commanded particular respect. That is because BZW had the presence of mind to snap up Abby Joseph Cohen, aged 38, Drexel Burnham Lambert's much-quoted market strategist, when that securities house collapsed last February. Several other Drexel analysts also moved to BZW as part of a build-up of its US presence.

Alas for BZW, it has now lost the services of Cohen, who is moving to Goldman Sachs, one of the premier US securities houses, with a particularly strong reputation for strategic analysis. Cohen says it is not a reflection on BZW. She greatly enjoyed her time there and regards its people as "top notch." It is just that the job at Goldman is an enormous personal opportunity.

Goldman's existing market strategist, Steven Einhorn, is being promoted to co-head of the research department, but he will continue to comment on the market alongside Cohen.

Happily the two share a similar approach to analysis, both taking a very methodical approach to economic data, flows of funds, and valuation figures.

It was that approach which prompted Cohen to become bearish of US equities well ahead of many rivals.

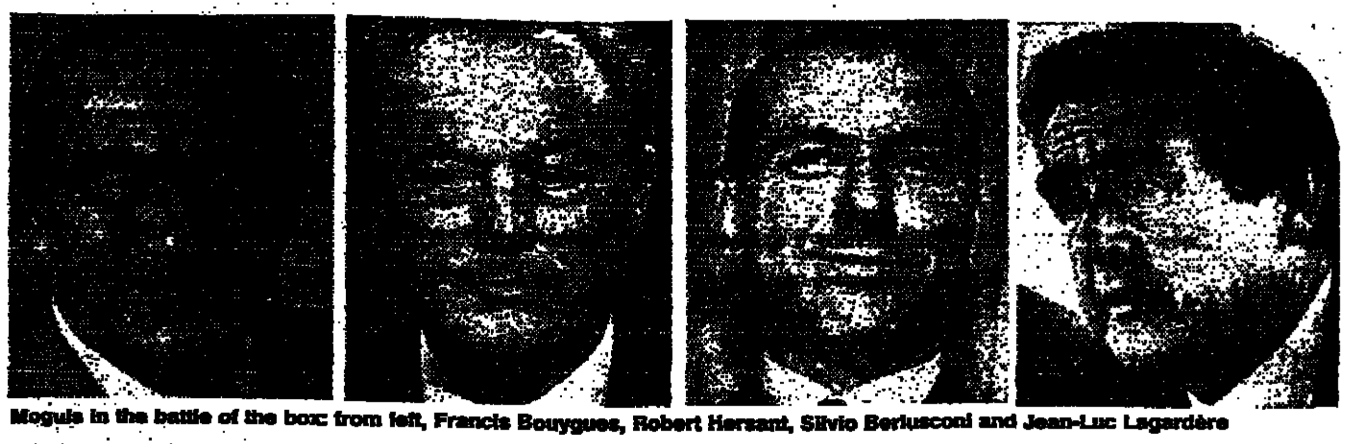
She remains bearish on the US market: "The economy is getting weaker and corporate profit expectations are still too high".

Blue calls

■ The Conservative Party seems to have plenty of money to throw about.

It has hired hundreds of mobile telephones from British Telecom for the conference week in Bournemouth, together with three helpful women from the BT bureau in the City of London. The trio will be in Bournemouth for the duration to show delegates how to make these newfangled gadgets work.

I would like to know whom the Tories will be ringing in this exciting week for the markets. Will it be the security net, their constituencies, or their brokers?



Moguls in the battle of the box: from left, Francis Bouygues, Robert Hersant, Silvio Berlusconi and Jean-Luc Lagardère

William Dawkins on the battle for control of a French channel

TV's real-life game show

France's television industry is in more of a mess than ever. The ending of the state's broadcasting monopoly five years ago has sparked off a ratings and advertising war in which standards have suffered as badly as the losers' balance sheets. Four big changes in broadcasting law and the establishment of three different regulatory authorities in the past six years have created a cultural wasteland.

To make matters worse, nobody is allowed to own more than 25 per cent of a private channel, a sure recipe for management paralysis.

In the middle of all this Mr Jean-Luc Lagardère, chairman of Hachette, the French publishing and media group, is poised to find out whether he will be allowed to take effective control of the La Cinq, the loss-making private channel.

If the country's broadcasting authority, the Conseil Supérieur de l'Audiovisuel, gives him the go-ahead, it will bring down the curtain on an 18-month battle between some of Europe's most prominent media barons – worthy of La Cinq's own soap operas.

Mr Robert Hersant, owner of the right-wing Figaro newspaper and chairman of La Cinq since its relaunch in 1987, has decided he can no longer afford his share of the the channel's losses, now approaching FFr2.5bn. He wants to sell most of his 25 per cent stake, hand over the chair to Mr Lagardère, and concentrate on his family publishing interests. "The investment was too heavy for a family group," says a Hersant adviser.

He is not the only media magnate to bow out recently. Mr Robert Maxwell has decided to put up for sale his stake in TF1, the leading French private channel, as part of his wide-ranging withdrawal from television. But his disagreements with the main shareholder, the Bouygues construction giant, also played a part, as did Mr Maxwell's belief that French broadcasting faces an unprofitable future. It is a shame, says Mr Maxwell, that a country "which has given so much to the world of culture should be incapable of organising its audiovisual industry".

Puzzled outsiders can be forgiven for asking why Hachette should want to invest in such an unpromising industry. La Cinq is set to lose another FFr1bn this year and next before breaking even by the end of 1992, according to Hachette's estimates. Outside analysts are more pessimistic.

Hachette advisers argue that this is an unrepeatable opportunity and that Hachette stands out among other world media groups for not owning a television channel. By the time they estimate La Cinq will break even, it will have clocked up about FFr3.5bn of accumulated losses, which they reckon is a fair start-up for a television channel. The stock market is not so sure. Hachette's share price stood at FFr442 at the end of April: by yesterday it had fallen to FFr179, a massive underperformance compared with the France's top 40 stocks.

Only two of the country's six leading television channels make any money; TF1 and the pay TV channel Canal Plus, which nevertheless reckons most of its growth will come from its foreign-language services. The two public channels, the national Antenne-2, and FR3, which provides a mixture of national and main regional programmes, are struggling to improve their ratings after a damaging series of strikes and management changes. The tiny M6 – a specialist in rock videos and American series – is only just beginning to reduce the losses it makes on a 7 per cent audience share.

After a slow start, La Cinq lifted its audience share to 15 per cent by last year, since when it has slipped to about 13 per cent, behind TF1's 40 per cent and Antenne-2's 23 per cent. Hachette reckons that given an efficient management, La Cinq could crank up the audience share to a profitable 17-19 per cent.

Under French law, television channels must broadcast at least 60 per cent European Community-generated programmes, within which 50 per cent must be French. These are more costly to produce than the US serials La Cinq acquires through the Italian media mogul Mr Silvio Berlusconi, holder of a 25 per cent stake, who also owns three television channels, a cinema chain and an advertising agency in Italy. It is repeatedly being fined for exceeding its allowance of American soaps.

Mr Lagardère has been itching to get his hands on a television station for years. He was popularly seen as the front runner for control of TF1 on its privatisation three years ago, but was pipped at the post by Mr Francis Bouygues, the self-made founder of the construction company – a decision which deeply disappointed Mr Lagardère.

Mr Hersant's decision to bow out now allows Hachette to lift its stake to 25 per cent and to bring in behind it a consortium of four friendly banks led by Crédit Lyonnais and Kleinwort Benson, the UK merchant bank. Between them, the banks account for another 20.1 per cent of La Cinq.

Mr Lagardère has a reputation for expensive interests, dating from his takeover of the Racing Club of Paris football club in 1981, which he renamed after the Matra electronics group he runs. Eight years and FFr300m later, Mr Lagardère pulled out of the club – to the relief of Matra shareholders. La Cinq will be a bigger and harder game altogether.

La Cinq's stormy past

- February 1986 - La Cinq, France's first private commercial TV channel, launched. Franchise goes to Jerôme Seydoux, chairman of Chargeurs, with Silvio Berlusconi, the Italian media baron.
- February 1987 - Re-launched with a new franchise held by Robert Hersant, proprietor of the Figaro newspaper, and Berlusconi.
- September 1989 - Berlusconi, supported by Seydoux, tries to oust Hersant, who takes court action.
- January 1990 - Hersant and Berlusconi sign pact. Seydoux refuses to sign.
- May 1990 - Hachette, under Jean-Luc Lagardère, takes 22% stake. Seydoux and several other investors, including Pearson, sell out.
- September 1990 - Hersant offers to hand over effective control to Lagardère.
- October 1990 - French broadcasting regulators expected to decide on Hersant's proposal.

FOREIGN AFFAIRS

Solution in search of a problem

Edward Mortimer visits Nato and finds it thoroughly confused

"THE THREAT is Nato – Nato adapting – the threat is here." "What sort of risks – we don't talk about threats any more – are we planning to meet?" "To be honest, there is hardly any threat."

Those remarks were made last week by civilian and military officials during briefings at Nato headquarters in Brussels and at Allied Forces Central Europe (AFCENT) in Brunssum. They illustrate the prevailing state of confusion in Nato, an alliance bemused by its own success and seeking with difficulty to define its future role.

Soviet forces are withdrawing from eastern Europe. Freely-elected governments there no longer regard themselves as allies of the Soviet Union. Under the treaty on conventional forces in Europe (CFE), to be signed in Paris next month, Moscow will undertake to destroy what is left of its formerly overwhelming superiority in conventional weapons. Experts consider that this treaty, once implemented, will ensure not months but years of warning time if the Soviet Union should in future try to reconstitute its ability to launch a serious conventional attack on western Europe.

All this has been accompanied by a complete change in Soviet rhetoric and international behaviour. Confrontation, once the norm, has disappeared. Co-operation, once the exception, has become the norm. The main fear of western governments now is that this benign mood might not last, and their priority has switched from deterring Soviet aggression to avoiding any attitude that might isolate the Soviet Union or undermine its present leadership. For that reason another agreement will be signed in Paris next month, proposed by Nato leaders at their London summit in July: a joint declaration in which Nato and Warsaw Pact members will "solemnly state that we are no longer adversaries".

Small wonder that Nato has a sense of "mission accomplished", and that its officials feel obliged to think up reasons why they should not now be sent home with a vote of thanks. Of the reasons they have so far come up with, much the strongest is that, Soviet or not, Russia is still there and will remain for as long as anyone can imagine by far the largest military power in Europe, partly by virtue of its nuclear arsenal but mainly because of its size and population, while its political future is absolutely unpredictable.

As long as that is so it seems foolish to dismantle completely a defence organisation which has proved its effectiveness; and among the keenest to keep Nato in being, as a deterrent against Soviet recidivism and therefore a factor of stability in central and eastern Europe, are the new governments of the east-central European states themselves. At heart many of them would really like to join Nato, and so benefit from the guarantee of collective defence against aggression. But they accept that this would be considered too provocative against Russia, and therefore are willing to settle for being in the shadow of Nato's protective umbrella without being explicitly covered by it.

Some of them may also be attracted by a second argument, that the united Germany's membership of Nato constitutes a guarantee of its future good behaviour. But, quite apart from its diplomatic awkwardness (it is very difficult to manage an alliance which is directed against one of its own members), that is not an argument that can really stand up on its own. German behaviour will only be modified by the obligations of Nato membership so long as Germans are convinced that Nato is necessary for their own security – which takes you straight back to the question of the Russian threat.

The third argument is that Nato is vital to the maintenance of American interest and involvement in European security. This is quite true, but is only relevant in the context of the first two. Europe should be able to protect itself. It needs the Americans only so long as there is a threatening imbalance of forces within Europe. Some see German strength as constituting such an imbalance, actually or potentially. I think this fear very far-fetched in the military field, since the Germans show no appetite for military power and have just imposed a voluntary but binding limit on the size of their own armed forces. German economic power is another matter, but it is hard to see how the presence of US forces can offset that – unless, once again, the Germans think that presence necessary for their own security and are willing to pay a price for it. Back to the Russian threat.

Central Europe is willing to settle for the shadow of Nato's protective umbrella without being explicitly covered by it

The imbalance created by the size of Russia is real, and is potentially threatening so long as Russia is politically unstable. It can only be redressed by involving the US in Europe on an equal footing with Russia, and given the width of the Atlantic that is best done by keeping a small advance guard of US troops in western Europe, with facilities and some prepositioned equipment to accommodate rapid reinforcement should it be needed.

Providing the framework for such a continuing US commitment to European defence may not be a very thrilling task but it is quite important enough to justify Nato's continuing existence, and there is plenty of work to be done devising an appropriate force structure. There is no need for Nato to take on an additional role outside Europe, as some of its officials are clearly itching to do.

Not that there is anything to stop Nato's logistical and organisational resources being used for operations outside Europe which all its members are prepared to support. That is happening in the present Gulf crisis. But it seems naïve to expect that the same unity of purpose will always apply to areas of the world in which US and European interests, or views on how best to protect those interests, are liable to diverge quite widely. One can easily imagine circumstances in which Europe would feel its interests needed to be protected in Africa or the Middle East, for example, but the US would not wish to get militarily involved – just as Europe has not always been willing to back US involvement in central America or south-east Asia.

What is needed is a military structure allowing Europe to act independently while remaining allied to the US. Some people would like the EC to take on this task along with the co-ordination of European foreign policy. In the long run, if the EC develops into a quasi-federal political entity, that may be logical. But there will be no consensus to do it in the EC at this stage, partly because of Irish misgivings but also because of a general feeling that the EC can more easily extend the hand of co-operation and integration to eastern Europe if it remains, for the time being at least, essentially a civilian institution.

The Western European Union, comprising nine EC countries which are also members of Nato (including France), has already come to life as a co-ordinator of the, admittedly less than spectacular, European military contribution to the Gulf crisis. It seems the obvious framework for an integrated European defence, and could in time develop into the "secular arm" of the EC, if and when it turns out that the EC wants one.

The role of France here is crucial. France is clearly going through a very difficult reappraisal of its national defence priorities in the light of German unity and the end of the cold war. The chances that it would agree to rejoin an integrated Atlantic defence structure seem very slight. The chances that it could be interested in an integrated European defence, especially if Britain and Germany jointly proposed that, are much better. The danger is that each of these three countries will hang back, blaming the other two for their alleged lack of interest in European defence.

LETTERS

ERM entry: the case for controls on borrowers

From Mr Jon Shields.

Sir, Your editorial comment ("How to join the ERM," October 5) was remarkably well-timed. With sterling now in the exchange rate mechanism, we need to look urgently at ways of influencing domestically our uniquely credit and inflation prone economy.

There is clearly a role for the sort of activist industrial and regional policies used elsewhere in the European Community and even more so for consensus approaches towards national wage bargaining. But you were right to focus also on the credit markets themselves. It was the explosion in personal credit in the mid-1980s that propelled us into our current economic mess and it is credit markets that may well prevent us emerging without undue costs.

Your error was once more to rule out credit controls unconditionally. Other than impose reserve asset requirements, there is probably little one can now do effectively through controls on lenders. But controls on borrowers would be a very different matter.

Controlling personal sector credit effectively would mean controlling mortgage credit. This could be done by declaring unenforceable any new mortgage greater than a given proportion of a house's purchase price or any second mortgage (not for business purposes) that took the total value of debt beyond a set proportion of a house's value. This would go with the grain of normal prudential criteria. Indeed, given the recent rise in the number of mortgage defaulters and the costs of repossessing property in a falling housing market, the authorities could justifiably claim prudential grounds for setting tight limits near or after the peak of a housing cycle.

Against conventional wisdom, such controls might not prove particularly damaging politically. Credit controls score highly in opinion polls – people think it is too easy to get into debt. Controls would certainly arouse less ire than the noble ideas that you propose – withdrawal of interest tax relief, property taxes and capital gains tax on realised gains.

The issue is of considerable urgency. In economic terms, the timing of sterling's entry into the ERM could hardly have been worse. The prospect is still for our unit labour costs to keep growing at twice the rate of our European partners. Yet the pressure on the pound will be upwards. The temptation to reduce interest rates further will be irresistible.

Without some other form of constraint, domestic monetary pressures will be eased at a time when the traded sector will be in serious difficulties. This can only store up even worse inflation and balance of payments problems for 1992 – with deflation then the only permissible response.

Jon Shields,
34 Mount Adon Park,
East Dulwich, SE22

The Labour Party cannot be blamed for this mess

From Mr Austin Mitchell MP.

Sir, As a Labour MP, I am very relieved that my party is completely absolved from any of the blame resulting from the disastrous consequences which will flow from membership of the exchange rate mechanism (ERM), by the lucky accident that the government has sought to fulfil none of the four essential conditions Labour attached to entry. This is particularly so in view of the fact that the government has gone in at the very opposite of our prime condition: a competitive exchange rate for the pound.

Membership will be disastrous for two reasons:

- Other members are compelled to get down to the abnormally low rate of inflation which Germany's powerful industrial machine permits that country. Others deflate their own economies and damage their own internationally traded sectors to do so, with the result that the main consequence of the system has been a steady increase in both Germany's surplus and in unemployment elsewhere. We are now due for the same.
- We will be unable to deal with our own horrendous trade deficit, 98 per cent of which is with the European Community. This is due neither to excessive consumption – 0.2 per cent less than 1973-75 – nor to wages in import-saving and export-producing industry, which are too low to attract skills and have gone up less than the rest of the economy, particularly services, in every year since 1979. It is due entirely to overvaluation, making our exports dear and imports cheap. At the central rate of DM 2.95, the pound is up 25 per cent in real terms against the D-Mark on the last quarter of 1986, and 56 per cent on the second half of 1973 while the figures for the dollar are 56 per cent and and 30 per cent respectively.

A trade deficit on that scale requires the exchange rate to come down. There is no other way of dealing with it. That devaluation works is clearly illustrated by the fact that our surplus of £1bn in manufactured trade with the US in 1986 is now a deficit of £2.9bn for the first five months of this year at an annualised rate. That is just because the dollar has come down, and before it came down as far as it has, so the turnround will get worse from our point of view.

Setting the exchange rate in aspic by ERM membership at this level of over-valuation (and overvaluation even at the very bottom of the 6 per cent range) means the deficit will increase, manufacturing capacity that is competitive at a lower exchange rate will close, profits will be slashed and with them government revenues, and unemployment will increase and with it government spending, turning the vanishing public surplus into deficit.

Long-term that means disaster. Short-term there may be euphoric benefits from the "Walters effect" whereby weaker currencies get speculated upwards and this should allow a reduction of interest rates and a resumption of our pernicious asset inflation as the money comes in. So we will know the quality of this decision in the next nine months.

An election in that period means cut and run, grab the Europhoric benefits and leave the disaster for later. A later election indicates more honourable economics and greater political stupidity. Either way I am pleased that Labour cannot be blamed for the mess.

Austin Mitchell,
House of Commons,
Westminster, SW1

Black Monday: spare a thought for the manufacturing exporter

From Mr Andrew Cook.

Sir, Now that the economic establishment has got its way and we are in the exchange rate mechanism, spare a thought for the manufacturing exporter – the backbone of the economy – struggling with a near-two-dollar pound and with no prospect of respite.

I have not seen one single solid economic argument in favour of this hasty and politically motivated move, just bland utterances of the "stability" and "commitment to Europe" type.

Meanwhile, it is back to 1981 for many manufacturers, with the pound now not just over-valued but fixed as well.

I fear that Monday, October 8 1990 will prove to be a black day for much of British industry, as many of those rejoicing at the present time will come to realise all too soon.

Andrew Cook,
chairman,
William Cook,
Parkway Avenue,
Sheffield

From Mr Charles Young.

Sir, Why would the country with the largest current account deficit in relation to GDP, and an underlying inflation rate moving from twice towards three times that of its main trading partner, wish to lock itself into a real exchange rate some 12.5 per cent higher than its long-run average, while boosting domestic spending with an interest rate cut?

Charles Young,
director of research,
Landell Mills Commodities Studies,
14-16 George Street,
Oxford

FINANCIAL TIMES
Tuesday October 9 1990

EUROTUNNEL

Banks agree £1.8bn refinancing

By David Lascelles, Banking Editor, in London

EUROTUNNEL yesterday won an agreement from its bankers for its much-needed refinancing. Leaders of the company's 210-bank consortium have informed the board that they expect to raise an additional £1.8bn ($3.4bn).

Although this is short of the £2bn Eurotunnel needs, the gap will be made up by drawing on a previously arranged £300m loan from the European Investment Bank.

Bankers emphasised yesterday that the new money was not yet signed and sealed, and more talks would be needed. But further delay would have jeopardised the £500m rights issue Eurotunnel hopes to make next month which institutions have pre-underwritten for only a limited period.

The new financial package is expected to be signed at the end of this month. It will bring Eurotunnel's total bank finance to £7.1bn, on top of which it will have £1.5bn of equity finance.

The total £8.6bn compares with latest cost estimates for the project of £7.5bn.

Completion of the new financing will be a milestone for Eurotunnel. Apart from clearing the way for fresh equity, it will correct the state of technical default in which the company has operated for more than a year.

The agreement also ends the crisis precipitated by huge cost overruns last year, which almost brought the project to a halt.

However the shortfall and the failure of about 80 of Eurotunnel's bankers to contribute to the extra financing is an indication of the wariness of banks about increasing their exposure at a time of economic uncertainty. This forced many of the larger banks to increase their commitments in order to bridge the gap.

One of the leading banks of the consortium, Amro Bank of the Netherlands, refused to put up any new money at all, and is to resign from its leading position. There were some drop-outs among banks in west and east Europe and the Third World, but Japanese banks, which had been among the early hold-outs, ended up by providing most of their share.

Mr Alastair Morton, Eurotunnel's chief executive, said yesterday that Eurotunnel now had all the finance it needed, and he was confident that the rights issue would go ahead.

The arrangements for the rights issue come into action today. A telephone helpline has been set up to enable shareholders to obtain preliminary information and register for a prospectus.

Subscribers to the rights issue will qualify for cut-price travel on the Eurotunnel shuttle train service.

Shareholders who already have travel privileges through having subscribed to the original share issue will be able to nominate another person.

The amount of travel privileges will depend on the level of investment in the rights issue.

S Africa clears barriers for exiles' return

By Patti Waldmeir in Johannesburg

SOUTH AFRICA is activating a plan to allow back as many as 20,000 exiles, opening the way for a large-scale amnesty for political offences.

The move was announced as President F.W. de Klerk yesterday held a further meeting with Mr Nelson Mandela, deputy president of the African National Congress.

The return of political exiles was agreed in principle several months ago and many prominent figures, including most of the ANC leadership, have already returned. However, yesterday's announcement, which follows two months of meetings between the government and the ANC, clears the last obstacles to the return operation.

The first large group of exiles, perhaps as many as 3,000, is expected within a fortnight.

Mr de Klerk said the exiles, many based in Zambia and other southern African nations, could immediately begin applying for amnesty for political offences.

The amnesty would cover exiles belonging to the ANC and other movements.

However, Mr de Klerk cautioned that this would not be granted automatically and would apply only to acts committed before yesterday.

The government also agreed to release 15 more political prisoners this week. Dozens have been freed in recent months, but the ANC claims that as many as 3,000 remain imprisoned.

Nelson Mandela (right) reads an agreed statement after three hours of talks between the African National Congress and the South African government in Cape Town yesterday

Neither side would answer questions after the meeting in Cape Town. They issued a joint statement which said only that the talks had reviewed the most recent spate of black township violence, in which nearly 800 people died.

The statement added that "note was taken of the different current perceptions concerning the causes and handling of this violence."

Mr Mandela has repeatedly blamed government agents for inciting the township clashes, which have largely involved supporters of the ANC and members of the rival Inkatha Freedom Party led by Chief Mangosuthu Buthelezi, the Zulu leader.

The statement said there was general agreement that "all sides must do their utmost to bring this violence to an end". There was a need to "keep the negotiation process on course and to act in such a way as to sustain and strengthen the atmosphere of trust necessary to achieve this objective".

Moscow is educated in the ABC of capitalism

By Leyla Boulton in Moscow

CARTOON films were on show during the interval, but some participants at a revolutionary Moscow seminar on the ABC of capitalism provided moments of mirth themselves.

The 20 grey-suited missionaries from Wall Street firms – "they paid their own fares because they believe in what they are doing" – began with the basics. What is a financial market? What is a stock? What is a bond? ("The broker is a doctor of money," explained the man from Paine Webber.)

The purpose of the three-day seminar, organised by the New York Stock Exchange, was to help the Soviets create their first stock exchange after 70 years of communism, Mr Valentin Pavlov, the finance minister, explained.

The task is no laughing matter given that the vast majority of the Soviet population does not even know what a stock market is. The country has yet to agree on a strategy for creating a market economy, let alone a stock exchange.

Armed with glossy brochures, some 400 Soviet government officials, entrepreneurs and students packed an auditorium in the flashy Mezhdunarodnaya Hotel.

The man from Merrill Lynch explained how he and his father, who had also worked for the firm, took pride in helping individuals "invest and prosper." Another speaker said he considered his participation "a rare privilege and special responsibility".

No question was too basic for either side to ask or answer. "Should we have one stock market or several?" asked a lady from the finance ministry. "Which should we have first? Brokers or a stock exchange?" she continued. "How far does government penetrate price formation?" asked a representative from a shipping company in Odessa.

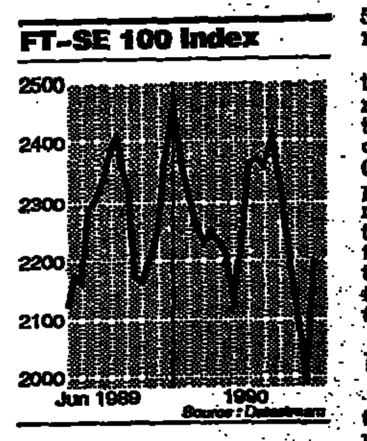
Possibly briefed about the dangers of hurting Russian Soviet pride, speakers went out of their way to be encouraging and to emphasise that they too were "here to learn".

Mr John Phelan, NYSE chairman and chief executive predicted that the audience included some of the "builders of the Soviet Union's future financial markets".

THE LEX COLUMN

The calm after the storm

Among the many remarkable features of the London market's opening frenzy yesterday was the fact that it was over so quickly. Having briefly touched 2,300 just before the official opening, the FT-SE was almost 100 points lower an hour later. It then spent the rest of the day peaceably in a 25-point range. The mood was largely conditioned by the fact that sterling was drifting downwards all day; while long gilts, similarly exhausted by the excesses of Friday, fell a full point. With equity volume at least double its normal level, there was clearly brisk two-way trade; and if the institutions saw 2,300 as a chance to sell, there was equally a sense that 2,200 has replaced last week's 2,000 as a defensible floor.



The next stage ought to be the sorting out of individual stocks. In broad terms, the changes to date in relative value look fairly rational. The FT-SE's 10 best performing stocks since the ERM announcement derive an average 11 per cent of their profits from overseas: the 10 worst, 42 per cent. Tarmac, the best performer, is the UK's biggest housebuilder, with high balance sheet gearing and over 80 per cent of its profits from the domestic market. Reuters, the worst performer, has net cash in the UK and 80 per cent of profits from abroad. It is perhaps less obvious why Royal Bank of Scotland should be the second best performer and British Airways the second worst; but the detailed implications of ERM membership have yet to be sorted out, not least in the reworking of brokers' forecasts.

But these forecasts in turn depend largely on assumptions about the outlook for sterling. Yesterday was unhelpful here. While it is natural that a 10-pfennig rise should run out of steam, few would have predicted a close on Monday below that on Friday. The pressure is doubtless still upwards; but the currency speculators, having lost one point of interest already, have yet to sort out the likelihood of losing another should they push sterling higher. Looking further ahead, it remains a little unclear how far the rally in equities has been justified. No detail of Friday's announcement was unexpected except the timing; and while the removal of uncertainty is obviously worth something, 10 per cent on the index seems a little generous. The more quickly the market adjusts to ERM membership, the sooner it can revert to its earlier preoccupations on the international front. The US budget compromise as now proposed looks less inviting than originally, while the oil price crept up another dollar yesterday alone. The unanswered question is whether thislatest ERM rally is a fundamental change of direction or a mere interlude in a bear market. If anything, yesterday's evidence points to the latter.

Eurotunnel

So the bankers have listened to reason, or at least to Mr Alastair Morton, and Eurotunnel lives to fight another day. It is no mean achievement to assemble £2.1bn of new loan finance when bankers from Tokyo to Paris are tightening their belts; but Eurotunnel has also had its share of luck. The UK building boom has turned to slump and construction cost inflation has slowed, bringing its forecasts within the bounds of respectability. While the project's average interest cost is about 12 per cent this year, Eurotunnel reckons this could drop to about 10.5 per cent in 1991, thanks to falling UK base rates and the cheaper cost of borrowing in French francs. And the risk of another spurt in costs will decrease the nearer it gets to completion.

Mildly comforting though this is, it leaves open the question of how shareholders should view next month's £530m-odd rights issue. It is no great recommendation that 12 British and six or seven French institutions have been underwriting it at £4 per share since June, since the quid pro quo was a time fee which has already reached £13m. As for the fundamentals, the official line earlier this summer was that at £4 the shares would give investors a 14 per cent gross return over the project's 55 year life, assuming Eurotunnel's own forecasts.

Even allowing for the fact that the project's riskiness is reducing as it nears completion, this still seems inadequate at a time when undated Consols yield 11 per cent. For private investors, who hold nearly two-fifths of the shares, the travel perks may do the trick. But for UK institutions the deal looks resistible, unless the offer document says something radically new.

US Budget

Yesterday's newly-cobbled together package of US Budget resolutions should at least mean that two million federal workers can go back to work on time and that tourists will once again be able to see the sights. There remains a chance that President Bush will refuse to sign a compromise designed mainly to suit Democrats; but the quiet reaction from US markets yesterday suggested a basic confidence that a deal will be struck before the October 19 deadline. Granted, yesterday's Columbus Day holiday meant Wall Street's performance was a poor indicator; nevertheless, US equities will probably continue to track the oil price as closely as they have since July.

Meanwhile, Federal Reserve chairman Mr Alan Greenspan's hint last week that US interest rates will shortly be eased indicated that the Fed's stagflation alarm bells are now ringing loudly. With markets largely discounting a ½ point cut in rates and expecting a further cut before Christmas, there was predictably little international support for the dollar yesterday, its weakness against sterling aside.

The fact is that events have already overtaken the drawn-out Budget process. Last week's economic figures finally provided convincing evidence that the US is in recession in the broad sense of the term; so the prospect of a soft landing for interest rates seems reasonable. The big challenge for the Fed, uncannily similar to that facing the UK government, is how to react to the looming economic downturn without losing control of inflation, a task made more difficult by the Gulf crisis. Friday's producer prices for September could be as much as 1.4 per cent higher, mainly because of increased energy costs. If the Fed delays too long, today's list of distressed banks and companies will have grown much longer by the time Mr Greenspan's term ends in August next year.

Israeli police shoot dead 21

Continued from Page 1

that their forces had acted with as much restraint as possible.

The protests began when thousands of Jewish worshippers gathered for prayers outside the Western Wall to mark the festival of Tabernacles at midday.

Many orthodox Jews from around the world traditionally visit Israel to partake in this week-long festival.

"We have absolutely no doubt that this was a premeditated attack," said Mr Roni Milo, police minister. "The Arab youths didn't come there to pray, but because they knew that a record number of worshippers would be at the Western Wall plaza.

"We believe that the demonstrators were given orders by outside parties."

Major pledges UK will not act as 'Trojan horse' in the ERM

By David Buchan in Luxembourg

MR John Major, Britain's chancellor of the exchequer, yesterday hailed the welcome given by the European Community to sterling's entry into the exchange rate mechanism of the European Monetary System. He promised that Britain would not behave like a Trojan horse in the system.

Putting a currency into the ERM discipline was "a pretty significant step by anyone's judgment", Mr Major said at a meeting of EC finance ministers.

He added that it would be very strange that "a country would take a step of that size purely as a wrecking tactic".

Mr Jacques Delors, European Commission president, said he was happy at sterling's long-awaited arrival, but that he would be vigilant about future UK policy.

The UK chancellor said there had been some criticism about the pre-emptive manner in which he had announced sterling's terms of entry, but described this as "not substantial".

Mr Major added that he was relaxed about sterling's behaviour on markets yesterday. After its initial surge, "it settled down quite pleasantly", he said.

In the discussion of the run-up to next December's treaty negotiations on economic and monetary union (EMU) which dominated yesterday's meeting, Mr Major said he did not argue that sterling's ERM entry reinforced the British case for delaying EMU. But he noted that caution was spreading among the UK's European partners.

Asked about possible policy dilemmas if the pound hit its intervention limits, he said he was confident that sterling would trade first within the wide 6 per cent band, and then "in due course" inside the narrower 2.25 per cent margin.

No government had criticised his initial choice of the wider fluctuation band, Mr Major said.

Gorbachev warns on separatism

By Quentin Peel in Moscow

SOVIET President Mikhail Gorbachev yesterday declared his ruling Communist Party ready to enter into a coalition with "all progressive, patriotic forces," and warned that separatism could turn the country into another Lebanon.

In an urgent and forceful speech to the party's new central committee, he tackled conservative critics head on by calling on Communists to "help society shed its prejudice and fear of a market."

Yet he singled out the reform of the country's multi-national structure as the most fundamental issue to be faced, saying: "Practically everything boils down to it now."

Speaking against a background of growing economic gloom, Mr Gorbachev warned that separatism was now the greatest challenge, but at the same time called for "the profound reconstruction of our multi-national state and the creation of a union of sovereign republics.

"The Soviet Communist Party resolutely opposes separatism," he said. "Communists have no more important task than staving off the pressure of separatist forces.

"Let's be frank. If these tendencies are not overcome and are allowed to develop further, the country could really be threatened by Lebanonisation, with all the well-known consequences."

On the political front, Mr Gorbachev's speech to the Central Committee plenum provided the clearest indication yet of his willingness to establish a coalition government.

"Such a coalition could rally around an anti-crisis programme, meeting the interests of the entire nation," he said.

Euphoria gives way to caution

Continued from Page 1

tracks the value of sterling against a basket of currencies, also slipped steadily over the day from its opening level of 97.3 to 96.5 at the close.

On Friday, the index had closed at 94.1.

In the government bond market there was also a sharp reassessment of ERM entry and prices fell.

Gilts prices had risen two points at Friday's announcement, destroying the interest rate differential against other European government bonds.

Yesterday, longer-dated gilts lost up to ⅝ of a point in reaction.

City of London analysts agreed that the initial euphoric reaction of financial markets to ERM entry had been exaggerated and was not justified by the UK's economic fundamentals.

Ankara refuses to aid Polly Peck

By David Barchard in Ankara

A SENIOR Turkish minister yesterday ruled out any Ankara government rescue operation for Polly Peck, the beleaguered fruit-to-electronics conglomerate.

However, Mr Güneş Taner, Turkish minister of state for the economy, said that official approval would be forthcoming if a bail-out of the group was attempted by Turkish private sector interests.

Mr Taner said he understood that Mr Asil Nadir, chairman and chief executive of Polly Peck, had approached a number of commercial banks and other institutions and that he would be travelling to Ankara later this week to hold talks with the Turkish Treasury. "I am expecting to see him here for more talks, but I cannot say exactly when," Mr Taner said.

Giving the first clear indication from a senior government minister that no Turkish government aid would be made available to Mr Nadir, Mr Taner said: "There is absolutely no question of a government rescue package for Polly Peck International. It is a British private sector company and I do not see why we in Turkey should be expected to come to its rescue."

Nonetheless, Turkish officials appear to believe that Polly Peck may have been the victim of unfair treatment. Mr Taner said that there could be grave consequences if Britain's Serious Fraud Office failed to substantiate any charges against the company.

"There will be a lot of questions about the way this company has been treated," he said.

The chief executives of Turkey's large banks say that they have not been contacted about a possible rescue operation, and add that if they were, they would refuse to take part.

The head of one of Turkey's three main state banks said last night: "We have had no commercial relationship of any sort with Polly Peck and it is quite impossible that we would lend it money under these circumstances. We know nothing about them."

Mr Unal Korukçu, head of the Türkiye Iş Bankasi, the country's largest private bank, said he had no information about any rescue operation for Polly Peck and was not planning to take part in one.

Any use of public funds to support Mr Nadir would be likely to provoke an outcry in Ankara, where most of the business world, and public opinion at large, appears set against a rescue operation for Polly Peck.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	23	73	Berlin	R	8	46	Caracas	–	–	–	Faro	S	22	72	Islamabad	F	30	86
Algiers	C	22	72	Biarritz	F	17	63	Casablanca	–	–	–	Florence	S	22	72	Istanbul	–	–	–
Amsterdam	C	12	54	Bombay	F	30	86	Chicago	Dr	11	52	Frankfurt	F	11	52	Jakarta	F	32	91
Athens	S	26	79	Bordeaux	S	15	59	Cologne	C	11	52	Geneva	S	12	55	Jersey	S	12	55
Bahrain	S	32	90	Boulogne	F	12	54	Copenhagen	F	8	46	Gibraltar	S	22	73	Johannesburg	F	21	70
Bangkok	F	32	90	Brussels	S	12	54	Corfu	S	23	73	Glasgow	R	11	52	Lima	–	–	–
Barcelona	C	21	70	Budapest	C	15	59	Dallas	C	17	64	Helsinki	F	7	45	Lisbon	S	21	70
Beirut	–	–	–	Buenos Aires	R	17	63	Dublin	C	12	54	Hong Kong	S	27	82	London	S	12	55
Belfast	C	11	52	Cairo	S	31	88	Dubrovnik	R	17	64	Innsbruck	C	11	52	Los Angeles	S	17	63
Belgrade	F	23	73	Cape Town	S	18	64	Edinburgh	C	12	54	Inverness	C	12	54	Luxembourg	C	7	45

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	22	73	Milan	S	16	61	Nicosia	S	27	82	Salzburg	R	8	46	Tenerife	F	26	79
Madrid	F	16	61	Montreal	R	7	45	Oporto	S	20	68	San Francisco	S	12	55	Tokyo	R	21	70
Majorca	T	17	63	Moscow	C	15	59	Oslo	S	8	46	Seoul	C	22	72	Toronto	C	7	46
Malaga	S	22	72	Munich	C	8	46	Paris	F	12	54	Singapore	F	32	90	Tunis	S	29	84
Malta	S	30	86	Nairobi	C	27	81	Peking	S	22	72	Stockholm	F	5	41	Valencia	R	15	67
Manchester	C	11	52	Naples	F	22	72	Prague	C	10	50	Strasbourg	F	11	52	Venice	C	18	66
Manila	F	32	91	Nassau	F	32	90	Reykjavik	R	7	45	Sydney	S	18	65	Vienna	R	10	50
Melbourne	R	11	52	New Delhi	S	31	88	Rhodes	S	27	81	Taipei	F	27	82	Warsaw	C	11	52
Mexico City	C	25	77	New York	C	20	68	Rio de Janeiro	F	35	95	Tangier	S	21	70	Washington	C	18	66
Miami	S	27	81	Nice	S	21	70	Rome	S	23	75	Tel Aviv	S	27	82	Zurich	C	11	52

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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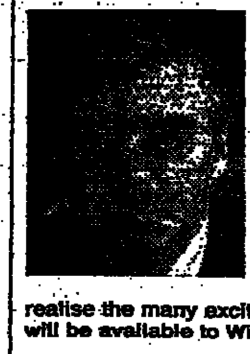
INSIDE

Now the honeymoon for Willis and Corroon

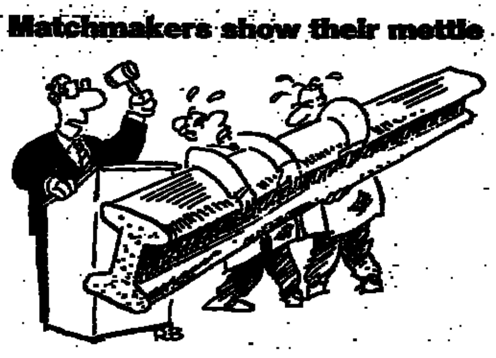


It was a happy ending to the lengthy struggle by Corroon & Black, the US insurance broker, to win backing for its proposed merger with Britain's Willis Faber yesterday. Corroon shareholders voted by three-to-one in favour of the deal. Mr Roger Elliott, head of Willis Faber (left), was delighted with the result: "We can now begin to realise the many exciting opportunities which will be available to Willis Carroon." Page 24

Concrete ideas in Germany

RMC, the largest producer of ready-mixed concrete in the world, is pushing forward with its expansion plans in east Germany despite attempts to halt its purchase of former state-owned Rüdersdorf cement group. RMC already has a commanding position in the west German market and the UK group hopes to develop an equally strong presence in the east. Page 28

Matchmakers show their mettle



It's the time of year when producers and consumers in the metals industry turn their attentions to often-tricky contract negotiations about prices. The courtship began yesterday with the start of London's "metals week" which has attracted representatives from every important producing and consuming country and corporation. Kenneth Gooding reports. Page 36

Place your bets for power sale

As the UK government's privatisation of the electricity industry gathers momentum, the bets are on as to which regional company will make the biggest splash. Odds-on favourite could well be Eastern Electricity, the largest of the 12 regional companies due to be privatised in December. David Thomas looks at Eastern's prospects in the first of a 12-part series on the programme. Page 28

Hillsdown looks for leather cure

The latest step in the rationalisation of the British leather industry took place last week with the rescue of Strong & Fisher by UK food group Hillsdown Holdings. Set against a background of losses by many leather processors and a collapse in raw material prices – the price of a UK sheepskin has fallen from about £6 to £1.20 – the move by Hillsdown signals that further industry shakeouts are imminent. Jane Fuller reports. Page 30

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Bouygues	421	+	27.5
Rises				Eurocom	1690	+	106
Beiersdorf	665	+	15	Sanofi	763	+	28
Daimler-Benz	614.5	+	29.5	**Falls**			
Hochtief	1210	+	61	Industrielle	4086	−	114
Schering	633	+	21.7	Ocean	149	−	11
Veba	325.8	+	18.8	**TOKYO (Yen)**			
Volkswagen	410	+	21	**Rises**			
NEW YORK ($)				Asics Corp	498	+	29
Rises				Fujikura	700	+	40
Abbott Labs	41	+	⅞	**Falls**			
Coca-Cola	42⅞	+	⅝	Hokuetsu Paper	3700	−	500
PepsiCo	24⅝	+	⅜	Nomura & Co	843	−	100
Falls				Japan Metals	1259	−	100
Dow Jones	23	−	½	Kurabo Inds	1220	−	200
Reuters Hld ADR	39⅜	−	3⅜				
UAL	14⅞	−	2⅞				
PARIS (FFr)							
Rises							
Accor	721	+	17				

New York prices as at 12.30pm.

LONDON (Pence)				Meyer Int	391	+	45
Rises				Nat Home Loans	119	+	17
ASDA	130	+	12	Reck & Colman	1312	+	57
Bass	1050	+	77	RMC	646	+	48
Comm Union	502	+	34	Rugby	163	+	32
Cntryside Prop	95	+	19	Stand Chartd	298	+	21
Delta	341½	+	37½	Steetley	404	+	41
Dixons	156	+	23	Tilbury	456	+	38
Eurotunnel	473	+	30	Whitbread "A"	456	+	30
Gerrard & Nat	318	+	40	**Falls**			
Guinness	753	+	35	Cable & Wire	447	−	10
Havelock Eur	135	+	24	Hammerson "A"	540	−	23
Higgs & Hill	311	+	24	Reuters	708	−	70
Klein Benson	300	+	20				
Kingfisher	324	+	39				

ERM entry is unlikely to prompt a radical rebalancing of portfolios

Funds will not rush into Europe

By Andrew Hill in London

FUND managers said yesterday they did not think sterling's entry into the ERM would prompt a radical rebalancing of investment portfolios towards European equity markets.

Investment advisers believe most British pension funds will wait until Europe is closer to full monetary union before weighting their investments away from the UK.

"Theoretically [ERM entry] makes Europe more attractive for investments but one has got to have serious reservations about whether it will work," said Mr Tony Dye of Phillips & Drew Fund Management yesterday. "My guess is that there will be at least one if not more realignments in the next 18 months," he added.

British fund managers are also worried that the initial surge of confidence in UK equities may give way to further corporate suffering once the excitement about ERM entry has worn off.

Mr Dye said: "It's a bit like the Berlin Wall coming down: that was a great story, but problems started to come to the surface after the initial euphoria."

Some institutional investors are openly sceptical about last Friday's announcements. They believe that for political reasons the British government has taken sterling into the ERM at an unrealistically high exchange rate.

"I think the long-term implications of tying ourselves to the D-Mark are not good for a large chunk of our industry. Somebody's got to suffer," warned Mr David Sutherland of Scottish Amicable.

Scottish Amicable is one of several institutions considering moving more of its funds into markets outside the UK, including the US and, for the longer term, Germany.

Lex, Page 20

German and French warned against spree

By Katharine Campbell in Frankfurt and William Dawkins in Paris

GERMAN and French investment advisers are warning clients not to be tempted by sterling's entry into the ERM to embark on an instant spending spree in the UK equity markets.

But the policy implications of Friday's moves may have injected a new measure of attractiveness into bonds for German investors.

Mr Hans-Dieter Runte, managing director of BHF Trust in Frankfurt, said yesterday that following recent falls in the German equity market, German shares were now "comparatively cheap", warranting no change of strategy.

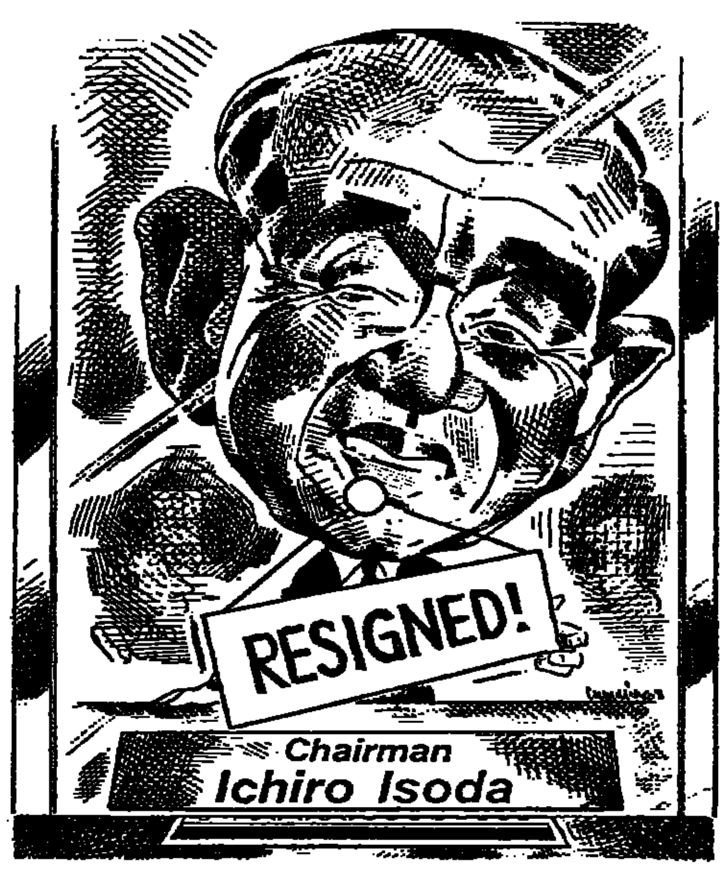
German investors, who tend to favour bonds, are also wary that the UK stock market has fallen less than most others since the onset of the Gulf crisis.

But the new inflation-fighting resolve implicit in Britain's long-awaited step is clearly seen as benefiting the gilt-edged market. "We are optimistic," says Mr Werner Wanke, partner at Bankhaus Metzler, the Frankfurt private bank. "We see long-bond yields falling around 100 basis points in the fourth quarter, in the direction of continental European yields."

Meanwhile, French investors should wait for further falls in British inflation and interest rates, according to a cross-section of investment advisers.

Once sterling opts for the narrow fluctuation band of 2.5 per cent, as promised by the UK government, French investors should for the first time be able to forget exchange rate risks and choose British equities and bonds on their fundamentals.

The more rigorous economic management likely to be forced on Britain by ERM entry will probably take two to three years to bring UK interest and inflation rates down to French levels, estimates Mr Bertrand Godbille, managing director of Hottinguer, the merchant bank.



Ichiro Isoda: real abilities as a banker will now be fully tested

Profits culture turns against its creator

Stefan Wagstyl on the resignation of Mr Ichiro Isoda from Sumitomo

The lights stayed on all night at the headquarters of Sumitomo Bank as executives fielded calls from around the world from clients shocked by the announcement of the imminent resignation of Mr Ichiro Isoda, the 77-year-old chairman and one of the grand old men of Japanese banking.

Mr Isoda said on Sunday he would step down to take responsibility for the alleged involvement of one of his branch managers in an illegal scheme to lend money to stock market speculators. Yesterday, Mr Isoda visited the Ministry of Finance and the Bank of Japan to apologise to officials who only last week held him in awe.

However, Mr Isoda's resignation will not put a stop to either the public prosecutor's inquiry which unearthed the illegal lending nor to widespread criticism of banks in general and of Sumitomo in particular. There is a growing sense in Tokyo that financial companies are having to pay for the excesses of the 1980s, when credit was cheap and the markets grew like midnight mushrooms.

Sumitomo is being singled out partly because Mr Isoda's resignation has made headlines and partly because the bank gained a reputation in the past decade for its aggressive pursuit of profit.

The Bank of Japan is determined to wash the speculative froth out of the financial markets. Ordinary people are angry at the excesses of property and stock speculators. A Sumitomo bank client said yesterday in an television interview: "I'm upset our savings and our money are being used by banks such as Sumitomo to help speculators."

Reports of illegalities and of financial imprudence are coming to the surface more frequently, as tighter regulation forces banks to disclose more information and high interest rates make it increasingly difficult to bury the cost of past mistakes. Apart from the Sumitomo débacle, there was a scandal earlier this year over Mitsui Bank (now merged into Mitsui Taiyo Kobe Bank) and Yamaichi Securities compensating favoured customers for losses suffered in the stock market.

Unlike the Recruit bribery scandal, which primarily concerned government officials and politicians, the more recent affairs strike at the heart of the financial community. As an executive at a Japanese bank said yesterday: "At first I smiled when I heard about Sumitomo's trouble, but now I think this is bad for all banks."

Sumitomo's name also figures prominently in reports of banks hit by rumours of borrowers running into difficulties. Yesterday, Itoman, an Osaka trading company, called a press conference to deny that it was in financial difficulties. The bank has estimated loans of about Y1,300bn ($9.77bn), mostly from Sumitomo, much of them taken out for property investment. Under pressure from Sumitomo, it is starting to sell off its land, but the market is weakening rapidly. For Sumitomo, the most immediate challenge is to limit the damage to its reputation caused by the illegal loans scandal and by reports of Itoman's difficulties.

With consolidated net profits in the year to March of Y184bn and shareholders' funds of Y2,041bn, Sumitomo's soundness is unquestioned. But in Japan, companies with tarnished records often find clients and government officials more difficult to deal with. For example, Nippon Telegraph and Telephone was excluded from bidding for certain public contracts following its involvement in the Recruit affair.

As far as the scandal is concerned, the key question is whether senior officials knew anything of the illegal activities of Mr Akinori Yamashita, aged 45, who was a branch manager until he resigned last month after being questioned by the Tokyo District Public Prosecutor's Office. Mr Yamashita is accused of arranging illegal loans totalling Y23bn for stock market speculators, including around Y11.4bn to Mr Mitsuhiro Kotani, who was arrested and indicted this summer on stock manipulation charges. The loans allegedly arranged by Mr Yamashita were made with funds raised from other bank clients – in contravention of Japanese banking law which forbids banks to arrange indirect loans.

However, bank executives do not break the law by sanctioning large, even imprudently large, loans to speculators. No one at Sumitomo has been accused of over-stepping the mark except for Mr Yamashita. Mr Isoda yesterday denied that any senior officials were being questioned by the prosecutor's office.

Another charge levelled against senior Sumitomo executives is that even if they knew nothing about Mr Yamashita they indirectly encouraged him by developing an aggressive corporate culture in which profits came before prudence. Mr Isoda, president for six years from 1977 and then chairman for seven, was personally responsible for the push for growth which turned Sumitomo into the top profit-earner among Japanese banks. With the help of cheap credit, the expansion of Japan's financial markets, and economic growth, the bank had many successes, including in 1986 the Y200bn rescue of Heiwa Sogo Bank, a troubled local bank in Tokyo.

There seems to be no direct link between Mr Yamashita's motives and the bank's policies, not least because the illegal loans involve money lent not by the bank, but by clients. Moreover, the fees paid by the borrowers allegedly went to Mr Yamashita personally, not to Sumitomo. Nevertheless, bankers feel that Mr Yamashita may have been influenced by the general atmosphere at Sumitomo. The Ministry of Finance intends to question senior bank officials about the affair and also about loans to Itoman. Sumitomo has started an inquiry into whether its internal checks are sufficient to supervise branches properly.

For Mr Isoda, resignation is a sad end to a distinguished career. He first came to prominence in the 1970s by arranging the rescue of Ataka, a troubled trading house, and then persuading Ford Motor of the US to participate in the refinancing of Mazda Motor, which was in difficulties. Mr Isoda later oversaw the rehabilitation of Daishowa Paper Manufacturing and of Asahi Breweries, both large, heavily-indebted groups. His biggest risk was probably with Heiwa Sogo.

Overseas, Sumitomo's boldness under Mr Isoda was highlighted by the controversial investment of $500m in a non-voting stake in Goldman Sachs, the US securities company. The deal failed to bring the benefits Sumitomo expected because the US Federal Reserve banned the bank from building direct business links with Goldman. However, Mr Isoda survived unscathed – the blame for the deal fell on the bank's president, Mr Koh Komtsu, who was moved sideways to the vice-chairmanship.

Mr Isoda's real abilities as a banker will only now be fully tested as the clients he favoured in the 1980s have to face more rigorous financial conditions in the 1990s. The bank's assets soared by up to 20 per cent a year in the late 1980s, in common with other big Japanese banks. Much of the new lending was for property developments, fuelling an over-heated market which now threatens to follow equities into a deep plunge. Top of the list of property-related borrowers is Itoman, where Sumitomo will have no excuses if its borrower gets into serious difficulties. Sumitomo has had the company under its wing since a previous rescue in the 1970s. It regularly appoints the company's president. Eleven of the 38 directors are ex-employees of the bank. Many of them were personally chosen by Mr Isoda.

UK market expects 'adverse impact on company profits'

By Maggie Urry in London

BRITAIN'S entry into the European Exchange Rate Mechanism and the accompanying one percentage point cut in base rates will have an adverse, rather than a beneficial, impact on UK corporate profits as a whole, market strategists said yesterday.

However, the quality of corporate earnings may improve as companies work under stricter disciplines imposed by the fixed exchange rate systems, rather than depending on devaluation to bail them out. Eventually the tighter, and independent, control on the economy is intended to work through to lower inflation which would provide a more stable background for companies.

Aside from technical factors, yesterday's rise in the UK stock market can thus be partly explained by investors assigning greater value to earnings, rather than any rise in profits. There was also a belief that the move improves the government's chances of winning the next election, perceived to be encouraging for the stock market.

However, within the general market progress, movements in share prices continued to diverge yesterday. Groups with high balance sheet gearing – those whose businesses are sensitive to interest rates and companies with mainly domestic profits – gained.

Many brokers had expected Britain would join the ERM at some stage and had already been forecasting interest rate cuts as the economy moved into recession. So the impact of the news on near-term profit forecasts is small, although the move has come earlier than most expected.

The bad news comes over the longer term. Strategists argued that the depth of the expected recession in 1991 may have been limited by the interest rate cut. But, after that, the UK economy may not bounce back as quickly as it would have done had sterling stayed out of the ERM.

"Further out, people will see the unpleasant side of the adjustment," said Mr Bill Smith, UK equity strategist at Barclays de Zoete Wedd.

Warburg Securities said: "If the government takes ERM membership seriously as a counter-inflationary tactic, the brunt of the battle will be borne by the corporate sector."

Rescue plan for Australian wool

By Kevin Brown in Sydney

AUSTRALIA'S Federal Cabinet yesterday approved a series of tough measures designed to rescue the wool industry from falling prices caused by overproduction.

Wool producers could find themselves paying up to 50 per cent of their income next year to the Wool Corporation, which aims to maintain stability by purchasing the product if the price falls below a set figure.

Mr John Kerin, the primary industries minister, said producers faced a "very tight" year. "I still don't think the industry generally is aware of how serious the situation is, but I think these measures will bite more and more," Mr Kerin said.

Australia is the world's biggest wool producer and exporter. Earlier this year, the government forced the Wool Corporation, which represents growers, to reduce its floor price from 870 cents a kilogram to 700 cents in an attempt to stimulate demand from overseas buyers. Sales have continued to be slow, however, and the market indicator (average price) closed at 704 cents a kilogram at the end of last week, only 4 cents above the floor price.

The package approved by the Cabinet increases the maximum wool tax from 25 to 30 per cent, and provides for a further increase to 50 per cent from the start of the 1991-92 season next June. The Wool Corporation levies the tax to finance the purchase and storage of wool which fails to sell above its floor price.

The corporation said the rate would remain at 25 per cent for the moment. However, the amount of wool offered at auctions is to be reduced from 170,000 bales per week to 140,000, forcing farmers to hold stocks longer.

Mr Kerin said the government would legislate to give the corporation power to finance a sheep slaughter scheme, but stressed that he was not encouraging slaughtering and that his permission would be required before a scheme could be implemented.

Corporation officials said there were no official figures for the numbers of sheep that had already been slaughtered, but suggestions that millions might have been killed were "speculation".

The biggest problems are likely to occur during the coming summer months in Western Australia and parts of Queensland, where dry conditions will make wool production even less viable than in other areas, officials said.

Wool production has soared over the past year as Australian farmers have moved out of other troubled crops, particularly grains. The result will be a wool clip of 1bn tonnes this year – about 20 per cent more than the corporation's highest annual sales.

INTERNATIONAL COMPANIES AND FINANCE

Gechem predicts change in fortunes

By Tim Dickson in Brussels

GECHEM, a leading Belgium chemicals company which was almost bankrupt two years ago, yesterday gave an optimistic assessment of its first-half results and forecast that a recent US acquisition will help transform its fortunes.

In Brussels yesterday Mr Jean Duronsoy, managing director, happily highlighted the contrast between his own "positive message" and last week's gloomy report from Gechem's parent company, Société Générale de Belgique.

La Générale, which holds 86 per cent of Gechem's shares, revealed on Thursday that consolidated net profits for the first six months of 1990 were sharply lower at BFr4.6bn ($144m), against BFr16.8bn for the whole of 1989.

Mr Duronsoy admitted comparisons with Gechem's first-half results in 1989 were difficult due to the subsequent disposals of Omnichem and PRB, the controversial explosives and munitions group. He implied, however, that the jump in consolidated pre-tax income from BFr507m to BFr813m was a fair reflection of his company's performance, adding that presenting net income figures "would make us look too good".

Consolidated operating profits retreated from BFr1.28bn to BFr1.13bn over the period, with Sadacem, the metallic oxides and salts subsidiary, suffering by comparison with the exceptional result of 1989.

Recticel, Gechem's key polyurethane business, showed an overall improvement while financial charges fell from BFr629m to BFr477m due to the impact of disposals.

Mr Duronsoy said yesterday the decision to find a buyer for Sadecem was due to a lack of synergies within Gechem and with the non-ferrous metals side of the parent company. A study this year had confirmed "the existence of significant leadership positions in several market segments" but had also highlighted the difficulty of guaranteeing these in the long term "without mobilising funds that exceed the group's current possibilities".

Mr Duronsoy seemed excited by the potential for grouping the activities of Recticel Foam Corporation in the US with Foamex, the polyurethane foam business acquired from Knoll International. Gechem will be the majority partner in and sole manager of the venture and can claim to be "the leading producer of cellular polyurethanes in the US and the western world".

Recticel's operations in the US had previously been "too small and too diversified". Gechem now had to bring to Recticel's European activities the industrial experience of Foamex, the undisputed "best cost producer" in the sector.

Swedish Match to sell unit for $277.5m

SWEDISH MATCH has agreed to sell almost all of its worldwide match and disposable lighter businesses for $277.5m to Nederlight, a specially formed consortium of investors, Reuter reports.

Swedish Match is a consortium including Swedish institutions, US shaving products company Gillette and investment bank J. P. Morgan. It acquired the consumer products division of the old Swedish Match AB from Stora, the Swedish pulp and paper group, in March. Nederlight is a group of financial and industrial investors led by Europa Investimenti and Continental Holdings.

The businesses being sold make and market matches in more than 30 countries and had sales of $350m last year. The lighter division, which sells mainly under the Feudor and Cricket brands, has more than 15 per cent of the world market.

Senior debt for the transaction is being underwritten by Citibank and Hambros Bank and mezzanine finance by Chase Manhattan Bank and Cofilp.

Swedish Match said the sale was subject to conditions, such as there being no reference to the UK Monopolies and Mergers Commission.

Scandinavian investors in Swedish Match have an option to acquire up to 10 per cent of Nederlight. Mr Massimo Rossi, chief executive of Swedish Match, will transfer to the new consortium and continue to manage the business.

Investors providing equity to Nederlight include Continental Holdings, Cofilp and funds advised by Rothschild Ventures and Paribas European Leveraged Investments Fund, as well as anticipated management participation.

Swedish Match said it intends to change its name to Wilkinson Sword to reflect the new balance of its continuing business, which comprises the European and US operations of shaving and related products company Wilkinson Sword.

Swedish Match was advised by Schroders and Freshfields. Nederlight was advised by Enskilda Securities, N.M. Rothschild and Clifford Chance.

German aluminium group shows its mettle

Kenneth Gooding explains how VAW is coping with dramatic changes *in* the markets

Pressures from environmental demands and the opening of the east German market are already forcing a re-think of the recent DM2.8bn ($1.8bn), five-year capital investment programme by VAW (Vereinigte Aluminium-Werke), West Germany's biggest aluminium group.

Examples of the pressures include:

- The company stands to benefit from demands that all cars be recyclable because aluminium components are likely to replace those made of steel or plastic.
- VAW has already experienced a surge in demand for its flexible packaging materials from west German groups which are packaging foods for east Germany. VAW is strengthening its sales force in the expectation that orders will soon flow directly from east Germany.
- There is also a requirement for modern shops in east Germany which should bring VAW orders for aluminium from the construction industry.
- However, VAW is having to spend heavily on research and development to protect its niche in the packaging market. It fears legislation will require packaging to be recycled or force producers to take responsibility for its disposal.

Mr Jochen Schirner, chairman of VAW's management board, said: "We do not have the resources for all the expansions our business units are asking for. The board is considering whether to increase the capital expenditure budget again because of this demand. We will make a decision by the year-end when we will have considered all the requests."

VAW is part of Viag, which also has energy and chemical interests and was privatised in 1988 when the West German federal government sold its remaining 60 per cent to the public.

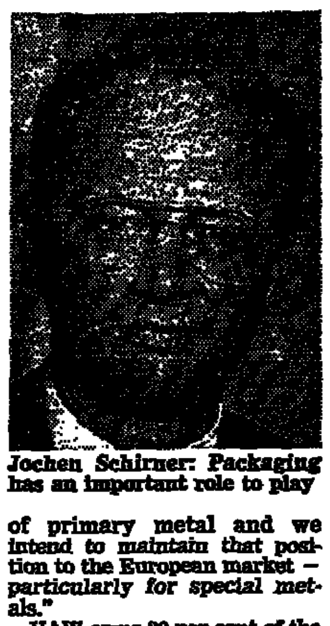
VAW went through some difficult times in the 1970s as it was forced to adapt to the internationalisation of the aluminium market. But since the mid-1980s it has restructured its balance sheet, has virtually no debts and has fully depreciated most of its assets.

It has quit difficult or low-growth businesses or changed product lines.

It has closed old smelters and brought those remaining in west Germany up to date while developing primary aluminium capacity in areas where energy is cheap – with investments first in the Tomago facility in Australia and more recently in the consortium building the Alouette smelter at Sept-Iles, Quebec, Canada.

VAW has the capacity to produce about 444,000 tonnes of primary aluminium a year and consumes about three quarters in its own semi-fabrication plants.

Mr Schirner said: "Traditionally VAW has been a supplier of primary metal and we intend to maintain that position to the European market – particularly for special metals."



Jochen Schirner: Packaging has an important role to play

VAW owns 20 per cent of the Alouette project and will operate the smelter when it starts up in 1992. The German group will be entitled to about 43,000 tonnes of metal a year from Alouette.

This year VAW's capital expenditure will be double the DM214m chalked up in 1989. Mr Schirner said VAW will pay for the DM2.8bn investment programme from cash generation and will build up its debt again, perhaps to DM800m.

Much investment cash will go to the DM980m expansion of the Aluminium Norf rolling plant in Neuss, which produces foil and strip and is jointly owned with Alcan of Germany. This will double Alunorf's annual capacity to 1.4m tonnes by the begining of 1994.

VAW will invest a further DM280m at its wholly-owned Grevenbroich mill which supplies Norf.

Mr Schirner says this is all in line with his company's strategic orientation towards higher value aluminium products.

The same strategic thinking took VAW into the packaging business where it is concentrating on a lucrative and fast-growing niche – supplying flexible packaging. This is a mixture of paper and plastic with an aluminium liner which is used for containers for long-life (or UHT) milk products and beverages such as fruit juices.

This business is now threatened by environmental concerns. For example, in June the West German government drafted a proposal to force retailers to offer collection points for all packaging and for deposits to be placed on all beverage and detergent containers. Packaging would be recycled or burnt at the expense of the retailer or producer.

VAW has started a crash programme to establish how its flexible packaging can be economically recycled. It is to spend up to DM11m for a laboratory to ensure flexible packaging will be recyclable or reusable. Mr Schirner says that, despite the ecological concerns, packaging has an important function to play in eastern Europe because it will help to get food from the fields to the kitchen in good condition. "There is a huge demand for reasonable packaging, particularly from the Soviet Union."

Most aluminium companies believe that developments in the car industry offer some of the best prospects for future growth and VAW is no exception. It has been asked by some car makers to replace plastic bumpers and dashboards in their vehicles.

Toyota, for example, says it must reduce the average weight of its cars by about 20 per cent to meet mandatory US fuel consumption targets but it does not want to use more plastic because of the problems of recycling.

VAW's research centre in Bonn already has developed a method of producing an aluminium which is very flexible and easily shaped. VAW already produces a wide range of aluminium car components.

Mr Edgar Lossack, head of casting and technical design concepts at the Bonn centre, suggests that in future, cars will also use aluminium for much of the bodywork. He doubts whether aluminium will in the medium term replace steel for body panels, however. "The next step will be an all-aluminium engine," he predicted.

Deutsche Babcock in shake-up and US deal

By Our Financial Staff

DEUTSCHE BABCOCK, the German engineering group, is restructuring its energy and environmental protection sectors and exercising an option to acquire all of Ashland Oil's Riley Consolidated subsidiary for an undisclosed sum.

Massachusetts-based Riley makes plants and components for power generation and offers consulting services. Babcock, which signed a letter of intent to acquire an initial 20 per cent of Riley in April, said the deal should strengthen its ability to sell power plant technology in the US. It said 75-year-old Riley has annual sales of around DM200m ($126m) and employs 750 people. Deutsche Babcock had overall 1989 sales of DM2.25bn in the energy technology sector, including sales of DM634m in North America.The Riley takeover took effect on October 1.

Babcock, which last month announced it expected a group loss of up to DM80m in the year ended September 30, has said it plans to restructure key sectors. Yesterday it said it had created a separate unit to house its energy and environmental protection activities.

BCI replies to Ferruzzi decision to cut links

By Haig Simonian in Milan

BANCA Commerciale Italiana (BCI), the leading Italian bank, yesterday replied forcefully to last week's decision by Ferruzzi, the country's second biggest private-sector industrial group, to cut business links.

BCI said relations with Ferruzzi had consistently been handled correctly and professionally. The bank added it had every confidence in its own "judgments and decisions".

Stung by press reports that Ferruzzi's move will adversely effect its earnings, the bank added that the decision would have a negligible effect.Moreover, it said that, contrary to Ferruzzi's statement, not all relations had been broken.

The comments will add weight to the view that Ferruzzi's decision stemmed from differences over Enimont, the chemicals group, of which Montedison, the Ferruzzi group's chemicals concern, has 40 per cent.

Although refraining from direct comment, Ferruzzi executives have alleged that links with BCI were cut because the bank was reacting to political pressure in its dealings with them.

Bertelsmann in print deal

BERTELSMANN, the German media group, has acquired the biggest printing group in former East Germany – Graphischer Gross-betrieb Pössneck, in Thüringen, Reuter reports.

Bertelsmann declined to reveal the price, saying only Pössneck was a well-managed, liquid company with a workforce of about 1,000.

Pössneck became a limited liability company this spring. It produced advertising material and about 50m books each year, particularly Soviet schoolbooks, Bertelsmann said. It added that it planned to integrate Pössneck into its European production network.

Finnish sweet and drug group hit by weak dollar

By Enrique Tessieri in Helsinki

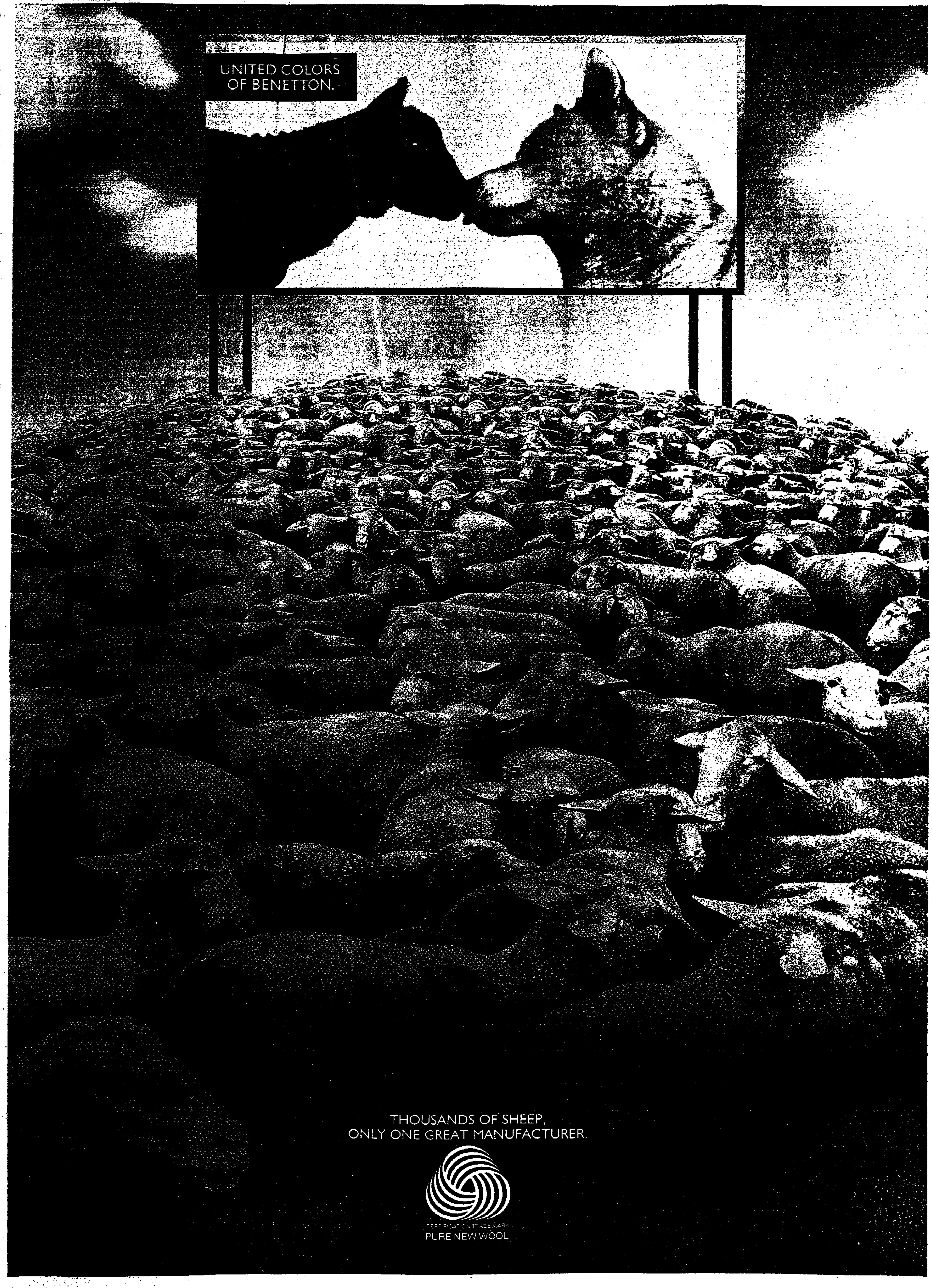
HUHTAMAKI, the Finnish confectionery, packaging and pharmaceuticals group, reported a 29 per cent plunge in its profits before appropriations and taxes for the first eight months of this year to FM155m ($41m) from FM218m a year earlier.

Mr Timo Peltola, president, blamed the fall on a weak US dollar and operational problems within its pharmaceuticals division. Huhtamäki derives 37 per cent of its net sales from its North American confectionery operations.

Operating profit during the January-August period saw a 3 per cent rise to FM521m from FM504m, while consolidated net sales also rose 7 per cent to FM3.99bn from FM3.72bn.

Huhtamäki estimates that consolidated sales for 1990 will fall slightly below FM6bn against FM5.48bn the previous year. Group pre-tax profits would see a moderate increase in 1990 from last year's FM175.6m, the company added.

The confectionery division, which has seen a recovery in performance in the US market this year, increased sales by 8 per cent to FM2.09bn.


UNITED COLORS
OF BENETTON.
THOUSANDS OF SHEEP,
ONLY ONE GREAT MANUFACTURER.
PURE NEW WOOL

INTERNATIONAL COMPANIES AND FINANCE

Abbott sees 13% rise in third quarter

By Karen Zagor in New York

ABBOTT Laboratories, the Chicago-based pharmaceuticals and healthcare company, yesterday reported strong third-quarter earnings and sales and said it expected record earnings and sales for the whole of 1990.

Net income for the three months ended September 30 grew 13 per cent to $220.8m from $196.3m a year earlier.

The company had fewer shares outstanding in the latest quarter and earnings per share rose 16 per cent to 51 cents from 44 cents in 1989. Sales advanced 15 per cent to $1.51bn from $1.31bn.

Abbott increased its research and development spending by 15 per cent in the quarter to $145m. The company's operating earnings in the quarter rose 16 per cent to $322.5m from $277.5m.

For the first nine months, Abbott's net income rose 13 per cent to $686m from $607m a year earlier while earnings per share were 15 per cent higher at $1.57 from $1.36.

Worldwide sales improved 13 per cent to $4.45bn in the first nine months of 1990 from $3.92bn a year earlier.

The group's sales in domestic markets improved 9.9 per cent, while international sales, including direct exports from the US, were 20 per cent higher.

Abbott continues to benefit from new medications. During the third quarter, the company received approval from the Food and Drug Administration (FDA) to market its blood screening test to detect hepatitis C.

It said the hepatitis C virus is considered to be the most prevalent transfusion-related disease in the developed world.

Corroon gets go-ahead for merger

By Nikki Tait in New York

THE lengthy struggle by Corroon & Black, the US insurance broker, to win backing for its proposed merger with Britain's Willis Faber ended on a trouble-free note yesterday as its shareholders voted by a three-to-one margin in favour of the deal.

The merger between the two companies will create the fourth largest insurance broking organisation worldwide, with 1990 revenues of around $1bn. The tie-up, involving an all-share offer by Willis Faber for the US group, was first announced in June, and appeared to be proceeding smoothly until Aon Corporation, the Chicago-based insurance group, made a rival proposal in mid-September.

Aon offered to pay $40 a share in cash, well above the value of the Willis paper terms.

Corroon, however, decided to stick with its original partner and – to Wall Street's surprise and some arbitrageurs' cost – Aon did not push ahead with a hostile offer.

Disgruntled arbitrageurs have subsequently attempted to mount some resistance. Bear Stearns, the US brokers, said that it would seek to have the value of its Corroon shares appraised by the courts, a lengthy procedure under which a shareholder eventually obtains a cash consideration for his holding.

At yesterday's meeting of Corroon shareholders in New York, the board appeared to have prepared for a vociferous gathering. Mr Dick Miller, Corroon's chairman, detailed at length the mechanism by which shareholders could raise questions and how the poll would be taken.

But when he paused to take questions, not a single hand was raised. Apparently surprised, Mr Miller moved smartly on to the polling.

That showed around 4.2m shares cast against the deal – around 21 per cent of the equity – and 13.14m, or 64.6 per cent, in favour.

After the meeting, Mr Miller said shareholders speaking for roughly 11.8 per cent of Corroon's shares had sought appraisal rights.

Mr Roger Elliott, head of Willis Faber, said he was delighted with the result of the meeting.

"We can now begin to realise the many exciting opportunities which will be available to Willis Corroon," he said.

Under the terms of the deal, Willis Faber had the right to walk away from the merger if holders of over 9 per cent of the equity sought appraisal rights but yesterday the British company formally waived this condition.

In fact Willis Faber expect some shareholders to abandon their pursuit of appraisal rights within the agreed 60-day period.

If none of the shares are appraised, Willis Corroon will issue about 164m new ordinary shares, but if all the appraisals go ahead then it will issue only 145m, resulting in a slight enhancement of earnings per share.

Mr Miller conceded that he was surprised that the meeting had been so speedy and mute. "I was prepared for a very tough meeting," he remarked,

Roger Elliott: delighted with meeting's result

"but when you prepare, you usually win."

Although there were about 150 people at the meeting, the low-key atmosphere was probably helped by yesterday being Columbus Day, a holiday in the US, and Wall Street itself resembled a ghost town.

Yesterday, Corroon shares rose $1¼ to $32¼ while Willis Faber were unchanged.

UAL buy-out team fails to raise $2bn loan

By Nikki Tait

THE EMPLOYEE-LED buy-out group which has been attempting to acquire United Airlines, the large US carrier, said that it had failed to secure the required $2bn of bank funding for the bid as originally structured.

Efforts to raise the money have been under way for the past few weeks. However, the buy-out group said it would still present an offer to the UAL directors on Tuesday, the deadline set by the company.

United Employee Acquisition Corp, the formal title for the coalition of UAL unions and employees seeking to buy the airline, did not specify the value of its offer.

It said only that the cash portion of the proposal would mainly come from vendor financing, sale and leasebacks, equipment financing, employee investments and cash on hand.

Mr Gerald Greenwald, chief executive of United Employee Acquisition Corp, conceded publicly for the first time that the buy-out group had been attempting to raise about $2bn of debt in recent weeks. Wall Street had expected such an offer – had it materialised – to value United at $3.7bn.

Mr Greenwald said the employees' proposal "achieved widespread acceptance from the underwriting banks", but that the doubling of oil prices since Iraq had invaded Kuwait and the ensuing tight credit markets made it impossible to satisfactorily syndicate the proposed bank loan.

"While approximately $2bn of funds were in fact committed to the proposed bank facility [subject to successful syndication], a successful syndication in the current environment called for the commitment of significantly more than that," he said.

"While we are not prepared to put a precise value on the proposal at this time, we are confident that such value is substantially in excess of the current market price of UAL stock."

UAL shares dropped sharply after an opening delay on scepticism that the company's board of directors would accept a reduced bid from the union-led buy-out group that lacks bank financing, analysts said.

"We feel that it is a weak proposal," said Prudential-Bache analyst Mr Paul Nisbet, "and soft enough that the board will find it necessary to reject it."

Banks battle over their shields

By Clay Harris

WHAT IS turquoise and orange, shaped like an heraldic shield and symbolises "reliability, safety, dynamism and strength" and five other positive attributes?

The new logo of ABN Amro, Europe's sixth largest bank, which was created this summer by the merger of Dutch rivals Algemene Bank Nederland and Amsterdam-Rotterdam Bank.

What is turquoise and orange, shaped like a square with one corner cut off and contains three crossed keys? The long-established logo of Swiss Bank Corporation.

On a drizzly winter evening, someone standing on his head and squinting might just mistake one for the other.

But the Swiss bank is concerned about the resemblance. It said in Basle in Friday: "Our legal division is examining the ABN Amro logo to see how much it is really like our logo."

In Amsterdam, ABN Amro said it had considered whether the shield – which was unveiled only in late September – should be withdrawn. It concluded, however, to leave well enough alone.

The Swiss Bank Corporation's long established logo (left) compared with the new device of ABN Amro

"I don't see why we should change it," a spokesman said, adding that the bank had relied on the "extensive research" of Landor Associates, the international design consultancy, to avoid any clash of colours with rival banks.

Faces at Landor may be ashen grey, similar to the colour it prescribed for the lettering to accompany the ABN Amro logo, but the design house is unrepentant.

"I don't think ABN Amro has anything to worry about," Mr Alan Brew, Landor's managing director, said in London. "Nobody owns colours, and they're used in very different ways."

Mr Brew said the two banks were aiming at different markets in any case – ABN Amro at retail customers and SBC at high net-worth individuals. "They hardly overlap at all," he said.

ABN Amro staff have been issued with a 16-page booklet explaining the genesis and meaning of the shield.

The booklet says turquoise and yellow (the second colour is really orange, Mr Brew concedes) mark a clean break from the pre-merger green initials of ABN and red cube of Amro.

Talks to save ENTel sell-off continue

By John Barham in Buenos Aires

INTENSE negotiations are taking place to save the privatisation of ENTel, Argentina's telephone company. Government officials and executives of the two consortia selected to buy ENTel are locked in talks over a new date and conditions for the company's sale.

ENTel's transfer to the private sector was originally planned for yesterday but had to be postponed when Manufacturers Hanover Trust and its partner Bell Atlantic withdrew last Thursday, minutes before the sales contract was to be signed.

A consortium led by J. P. Morgan has taken over from Manufacturers in its bid for the northern zone of ENTel's operations. A group led by Citibank is to operate in the south.

Mr Jose Roberto Dromi, minister of public works and services, said, "most probably both companies will be handed over simultaneously in about 15 days". However, bankers involved in the talks expect to be ready to sign a new contract in 30 days.

The latest talks are focusing on two points of the cash and debt-for-equity sale; first, the price and tax conditions under which ENTel will be transferred, a delicate item in a country where prices are rising by over 10 per cent a month, and second, agreement on a new deadline for signing the sale contract.

A banker commented, "The idea is to give Morgan time to study the contract, which they haven't been able to do yet, and do the field work necessary to get the debt papers to pay for ENTel."

Packers to slim further

By Robert Gibbens in Montreal

CANADA Packers, the country's largest food processing group which was acquired by Hillsdown Holdings of the UK last year, plans more disposals and decentralisation of operations over the next few months.

Rationalisation has reduced CP's head-office staff in Toronto.

Mr David Newton, president, said all CP operations were being reviewed and that the company could double its earnings overnight if the money-losing businesses were sold swiftly.

One problem area is red-meat packing, hit by declining demand, excess industry capacity and falling prices. Pork-packing is also losing money and plans for a new Ontario processing plant have been shelved.

General food processing was in better shape but expansion into the US has been delayed indefinitely, said Mr Newton. Also, some assets will be sold quickly to reduce debt of about C$100m (US$87m).

CP announced recently that its flour-milling business was being merged into a joint venture with John Labatt. CP will own 60 per cent of the venture.

INTERNATIONAL COMPANIES AND FINANCE

Alcatel to acquire 5.9% stake in Altech

By Philip Gawith in Johannesburg

ALCATEL, the French telecommunications and electronics group which is the world's second largest, is to acquire a 5.9 per cent stake in Altech, the South African electronics company.

The deal involves a share swap whereby Fulman SA, part of the Alcatel group, will purchase 621,000 new shares in Altech at R70 a piece in return for Altech acquiring Fulman's 12.5 per cent stake in Standard Telephones and Cables (STC) thereby making STC a wholly owned subsidiary of Altech.

The transaction is equivalent to a consideration of about R43m ($16.7m). It does not involve bringing new money into the country. An Altech spokesman said the main benefit of the deal was that it would bring Altech into broader involvement with Alcatel. Previously the involvement had been limited largely to telecommunications work in terms of contracts involving the Post Office.

The new arrangement forms part of Altech's strategy of diversifying its business away from an undue reliance on business coming from the state-owned Posts and Telecommunications department.

Altech believes the recent share-swap between Fiat of Italy and CGE of France will strengthen Altech's position in Africa. CGE is the holding company of Alcatel.

● Altron, the listed holding company for the Altech, Powertech and Fintech groups, lifted pre-tax income by 21 per cent to R139m in the six months to the end of August. This was achieved on a slight decline in turnover to R1.31bn following a curtailment of activities at the Punch Line retail and systems businesses.

Finance charges were significantly lower because borrowings were cut from R252m to R106m. The feature of the group's activities was the turnround achieved at Fintech which showed an R11.3m profit for the period following a R5.9m loss at the year-end. Altech and Powertech performed satisfactorily.

Catalyst for Indian petrochemicals

Hasmukh Shah, head of IPCL, talks about his plans to Gita Piramal

MR Hasmukh Shah, the lanky and laconic chairman of Indian Petrochemicals Corporation (IPCL) can barely curb his impatience.

"We are moving so slowly," said the man who runs India's biggest petrochemicals company.

His words do less than justice to the pace at which IPCL is proceeding. In total the state-controlled IPCL plans to invest more than Rs30bn ($1.62bn) in new enterprises and a further Rs3.5bn on modernisation schemes over the next five years.

IPCL's massive Rs13.9bn Maharashtra gas cracker complex at Nagothane – in Maharashtra's Raigad district – which recently started producing ethylene and of downstream chemicals such as low density polyethylene and polypropylene. And the 20-year-old, government-owned company holds a letter of intent to build a similar complex at Gandhar in Gujarat state.

Once these two complexes come on stream, coupled with IPCL's existing naphtha-based plants at Vadodara in Gujarat, Mr Shah will straddle a corporation dwarfing all other Indian companies in the chemical business.

In addition, smaller plants to manufacture alphaolefins used by the detergent industry, viral vaccines and various engineering plastics are coming up fast.

On the drawing board, moreover, is a plan to build a Rs5bn plant in the Gulf. And with petrochemical prices shooting upwards in the wake of the Gulf crisis, IPCL is tempted to enter the international market and start exporting selectively from its wide range of chemicals.

Yet Mr Shah's frustration is understandable. For almost 18 months, the Maharashtra gas cracker complex lay idle, piling up interest charges instead of generating profits and easing the perennial shortage of petrochemicals in India.

The reason? A sister company, Oil and Natural Gas Commission, proved incapable of supplying IPCL's 300,000 tonnes per annum ethylene cracker with its basic feedstock in time.

The Gandhar project to manufacture ethylene, PVC, MEG, alphaolefins and primary alcohols is equally behind schedule. If Mr Shah had his way, preliminary onsite work would have started by now.

But the gas-based complex was delayed as several business houses from the private sector and the government-controlled public sector lobbied the government to award them the prestigious project.

While the government dithered for more than three years before finally awarding it to IPCL, costs shot through the roof.

Mr Shah said: "At Rs22.9bn, the Gandhar complex will cost twice as much as the Maharashtra gas cracker complex. If all goes well, it should come up in 4½ years time."

IPCL is one of the few profit-making public sector companies in India. For the year ended March 1990, the company earned a gross profit of Rs22.5bn on turnover of Rs11.83bn. A tightly managed concern, capacity utilisation at the Vadodara complex was nearly 100 per cent.

The perceptions on IPCL's profits vary.

"Given its monopoly position, only a fool could create a loss in IPCL," said a plastic processor dependant on the company's wide range of polymers.

"We are not in the business of profiteering," retorts Mr Shah. While IPCL claims that it has kept prices to the minimum, plastic processors which have to pay double and triple – and in one or two cases, 10 times – international prices for their raw material, beg to differ.

"This is just posturing by the plastic processors for public edification," said Mr Shah.

"Last month, each and every one of them told me that they were grateful to IPCL for keeping the price line at a time when all other companies were raising prices. At IPCL, we believe in consistency and nurturing the market."

Despite Mr Shah's sharp protest, there is no denying that domestic petrochemical prices are substantially higher than international ones.

Clearly the challenge for Mr Shah and IPCL in the 1990s lies in improving this situation.

Suit aims to have Renong deal declared illegal

THE Malaysian opposition party has applied for a court order to declare illegal Malaysia's biggest corporate deal involving assets linked to prime minister Mahathir Mohamad's ruling party, Reuter reports.

The suit, filed by aides of Mr Razaleigh Hamzah, the leader of the opposition, lists Mr Mahathir, three ministers and several corporate executives as defendants, said lawyers.

The suit, against a M$1.23bn (US$456m) deal by Renong, a property company, was filed on Friday, the same day that election dates were announced.

Mr Daim Zainuddin, finance minister, said it was a "political gimmick": "If [the plaintiffs] were serious about blocking the deal, they should have done so when it was publicly announced four months ago."

The deal brought into Renong's stable two Umno holding groups that control eight listed and 10 unlisted companies.

ASC proposes extension of regulatory supervision

THE AUSTRALIAN Securities Commission (ASC) has released draft legislation designed to "widen extensively" regulatory supervision of company directors and senior management, Reuter reports from Sydney.

The companies and securities advisory committee of the ASC said that under its proposals, shareholders' consent would be required for many transactions involving directors and senior staff.

Directors would need to tell shareholders of each transaction and detail directors' interest in them. Public submissions will close on December 31, the committee said.

Mr Mark Burrows, the committee's convenor, said the proposals were "a response to various corporate lending and other practices now coming to light and their effect on investor confidence and the integrity of Australian financial markets".

The proposals would:

● Prohibit directors at board meetings from voting on transactions wherein they have an interest.

● Require directors and senior staff to disclose benefits they receive from their companies, including those obtained indirectly through "service companies" or "consultancies".

● Limit the types of loans allowed to directors, limit directors' rights to vote themselves loans, and extend laws to cover "disguised loans".

● Introduce for the first time legislative controls on intercompany loans and asset transfers between companies and people associated with those companies. Transactions in excess of 5 per cent of shareholders' funds would require the consent of shareholders.

"The committee has striven hard to develop a set of rules to close off avenues of avoidance but without imposing unnecessary burdens on legitimate corporate transactions," Mr Burrows said.

US health group in venture with Thai hospital

By Paul Taylor, Asia Business Correspondent, in Bangkok

BUMRUNGRAD Hospital, one of the top private hospitals in Thailand, plans to establish a joint venture with US-based National Medical Enterprises to help fund a substantial expansion programme.

If approved, the proposal, which has been outlined to the Securities Exchange of Thailand, would mark the first big investment by a US hospital group in the growing Thai health care market. National Medical already operates the Mount Elizabeth Hospital in Singapore and a chain of US private hospitals.

Bumrungrad, a publicly quoted Thai controlled company, is well positioned to expand. Its revenues are expected to grow by 60 per cent this year to 565m baht ($22.6m) with net income of about 85m baht, up from 52m baht last year.

NEWS IN BRIEF

■ Saudi British Bank, which is 40 per cent owned by Hongkong and Shanghai Banking Corp, said at the weekend that net profits rose 10 per cent during the third quarter of 1990 despite an outflow of customer deposits resulting from the Gulf crisis, AP-DJ reports from Manama.

The bank saw net profit rise to SR50.7m ($13.5m) from SR46.0m in the equivalent period of 1989.

■ Cheung Wah Development, the Hong Kong dyestuffs distributer, yesterday said it intends to raise HK$38m (US$4.89m) by floating 25 per cent of its shares, AP-DJ reports from Hong Kong.

The proceeds of the issue will be used to repay short-term bank loans and augment working capital.

■ Chiyoda Fire & Marine Insurance, a Japanese insurance company, is to acquire 5 per cent of the shares in Asia Financial Holdings, a Bermuda-based subsidiary of Asia Insurance and affiliate of Commercial Bank of Hong Kong, AP-DJ reports from Tokyo.

The investment will cost Chiyoda HK$61m (US$7.86m). Chiyoda and Asia Insurance have co-operated in some operations since 1967.

■ Wah Shing Toys, a Hong Kong toy group, swung to an after-tax first-half loss of HK$7m against a year-ago profit of HK$10m, hurt by declining sales and profit margins, AP-DJ reports from Hong Kong.

Losses per share came to 2.6 cents, against earnings of 4.1 cents the previous year. Turnover shrank 10 per cent to HK$250m from HK$278m.

Wah Shing warned that its second-half results would be hurt by higher costs for materials due to the Gulf crisis, although it said that orders were improving.

■ Bankers Trust New Zealand, the Auckland-based subsidiary of Bankers Trust New York, has become a settlement institution, the Reserve Bank of New Zealand said, Reuter reports from Wellington.

A settlement institution is authorised to have a settlement account with the Reserve Bank, which enables it to deal directly with the central bank in respect of cash and other market instruments, instead of through another settlement institution.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, October 8, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	50.2786	32.7557	38.4689
Albania	(Lek)	10.4356	5.2865	3.4440	4.0448
Algeria	(Dinar)	18.4596	9.3513	6.0922	7.1548
Andorra	(Fr Fr)	10.1425	5.1380	3.3473	3.9312
	(Sp Peseta)	189.85	96.1752	62.6567	73.5852
Angola	(Kwanza)	56.271	28.5060	18.5712	21.8104
Antigua	(E Carr $)	5.3311	2.7006	1.7594	2.0663
Argentina	(Austral)	10824.35	5483.4599	3572.3927	4195.4844
Aruba	(Florin)	3.5343	1.7904	1.1664	1.3698
Australia	(Aus $)	2.3620	1.1965	0.7795	0.9155
Austria	(Schilling)	21.215	10.7472	7.0016	8.2228
Azores	(Port Escudo)	267.20	135.3596	88.1848	103.5658
Bahamas	(Bahama $)	1.9740	1	0.6514	0.7651
Bahrain	(Dinar)	0.7341	0.3718	0.2422	0.2845
Balearic Is	(Sp Peseta)	189.85	96.1752	62.6567	73.5852
Bangladesh	(Taka)	68.00	34.4478	22.4422	26.3565
Barbados	(Barb $)	3.9713	2.0118	1.3106	1.5392
Belgium	(Belg Fr)	62.35	31.5856	20.5775	24.1666
Belize	(B $)	3.949	2	1.3033	1.5306
Benin	(CFA Fr)	507.125	256.9022	167.3679	196.5600
Bermuda	(Bermudian $)	1.9740	1	0.6514	0.7651
Bhutan	(Ngultrum)	34.90	17.6798	11.5181	13.5271
Bolivia	(Boliviano)	6.4369	3.2608	2.1243	2.4949
Botswana	(Pula)	3.69	1.8693	1.2178	1.4302
Brazil	(Cruzado)	173.52	87.9027	57.2673	67.2558
Brunei	(Brunei $)	3.4205	1.7327	1.1288	1.3257
Bulgaria	(Lev)	5.3664	2.7185	1.7710	2.0800
Burkino Faso	(CFA Fr)	507.125	256.9022	167.3679	196.5600
Burma	(Kyat)	11.8839	6.0202	3.9220	4.6061
Burundi	(Burundi Fr)	312.1215	158.1162	103.0103	120.9773
Cambodia	(Riel)	908.04u	460	299.6831	351.9534
Cameroon	(CFA Fr)	507.125	256.9022	167.3679	196.5600
Canada	(Canadian $)	2.2750	1.1524	0.7508	0.8817
Canary Is	(Sp Peseta)	189.85	96.1752	62.6567	73.5852
Cp. Verde	(CV Escudo)	134.8781	68.3273	44.5142	52.2783
Cayman Is	(CI $)	1.6388	0.8301	0.5408	0.6351
Cent.Afr. Rep	(CFA Fr)	507.125	256.9022	167.3679	196.5600
Chad	(CFA Fr)	507.125	256.9022	167.3679	196.5600
Chile	(Chilean Peso)	614.80	311.4488	202.9042	238.2945
China	(Renminbi Yuan)	9.2199	4.6706	3.0428	3.5736
Colombia	(Col Peso)	1052.00	532.9280	347.1947	407.7519
Comoros	(CFA Fr)	507.125	256.9022	167.3679	196.5600
Congo (Brazz)	(CFA Fr)	507.125	256.9022	167.3679	196.5600
Costa Rica	(Colon)	188.3278	95.4041	62.1543	72.9952
Côte d'Ivoire	(CFA Fr)	507.125	256.9022	167.3679	196.5600
Cuba	(Cuban Peso)	1.5727	0.7967	0.5190	0.6095
Cyprus	(Cyprus £)	0.8450	0.4280	0.2788	0.3275
Czechoslovakia	(Koruna)	29.60c	14.9949	9.7689	11.4728
		58.67t	29.7213	19.3630	22.7403
Denmark	(Danish Kroner)	11.5725	5.8624	3.8193	4.4854
Djibouti Rep	(Djib Fr)	342.00	173.2522	112.8712	132.5581
Dominica	(E Carrib $)	5.3311	2.7006	1.7594	2.0663
Dominican Rep	(D Peso)	21.5039	10.8935	7.0969	8.3348
Ecuador	(Sucre)	1732.62o	877.7203	571.8217	671.5581
		1706.96a	864.7213	563.3531	661.6124
Egypt	(Egyptian £)	5.37	2.7203	1.7722	2.0813
El Salvador	(Colon)	12.5470	6.3561	4.1409	4.8631
Equat'l Guinea	(CFA Fr)	507.125	256.9022	167.3679	196.5600
Ethiopia	(Ethiopian Birr)	4.0485	2.0509	1.3361	1.5691
Falkland Is	(Falk £)	1.00	0.5065	0.3300	0.3875
Faroe Is	(Danish Kroner)	11.5725	5.8624	3.8193	4.4854
Fiji Is	(Fiji $)	2.8044	1.4206	0.9255	1.0869
Finland	(Markka)	7.1717	3.6330	2.3668	2.7797
France	(Fr)	10.1425	5.1380	3.3473	3.9312
Fr. Cty/Africa	(CFA Fr)	507.125	256.9022	167.3679	196.5600
Fr. Guiana	(Local Fr)	10.1425	5.1380	3.3473	3.9312
Fr. Pacific Is	(CFP Fr)	182.00	92.1985	60.0660	70.5426
Gabon	(CFA Fr)	507.125	256.9022	167.3679	196.5600
Gambia	(Dalasi)	15.6554	7.9308	5.1667	6.0679
Germany	(D Mark)	3.0300	1.5349	1	1.1744
Ghana	(Cedi)	635.00	321.6818	209.5709	246.1240
Gibraltar	(Gib £)	1.00	0.5065	0.3300	0.3875
Greece	(Drachma)	303.22	153.6068	100.0726	117.5271
Greenland	(Danish Krone)	11.5725	5.8624	3.8193	4.4854
Grenada	(E Carr $)	5.3311	2.7006	1.7594	2.0663
Guadaloupe	(Local Fr)	10.1425	5.1380	3.3473	3.9312
Guam	(US $)	1.9740	1	0.6514	0.7651
Guatemala	(Quetzal)	8.9270	4.5222	2.9462	3.4600
Guinea	(Fr)	1224.19s	620.1570	404.0231	474.4922
		592.35a	300.0759	195.4950	229.5930
Guinea-Bissau	(Peso)	1283.42	650.1621	423.5709	497.4496
Guyana	(Guyanese $)	88.36u	45	29.1617	34.2490
Haiti	(Gourde)	9.8725	5.0012	3.2582	3.8265
Honduras	(Lempira)	9.4050	4.7644	3.1039	3.6453
Hong Kong	(HK $)	15.3120	7.7568	5.0534	5.9348
Hungary	(Forint)	117.9124	59.7327	38.9149	45.7024
Iceland	(Icelandic Krona)	109.70	55.5724	36.2046	42.5193
India	(Indian Rupee)	34.90	17.6798	11.5181	13.5271
Indonesia	(Rupiah)	3675.88	1862.1479	1213.1617	1424.7596
Iran	(Rial)	128.92	65.3090	42.5478	49.9689
Iraq	(Iraqi Dinar)	0.6087	0.3083	0.2008	0.2359
Irish Rep	(Punt)	1.1310	0.5729	0.3732	0.4383
Israel	(Shekel)	4.03	2.0415	1.3300	1.5620
Italy	(Lira)	2273.00	1151.4690	750.1650	881.0077
Jamaica	(Jamaican $)	15.005	7.6013	4.9521	5.8158
Japan	(Yen)	258.00	130.6990	85.1485	100
Jordan	(Jordanian Dinar)	1.2838	0.6503	0.4236	0.4975
Kenya	(Kenya Shilling)	45.00	22.7963	14.8514	17.4418
Kiribati	(Australian $)	2.3620	1.1965	0.7795	0.9155
Korea North	(Won)	1.9153	0.9702	0.6321	0.7423
Korea South	(Won)	1407.25	712.8926	464.4389	545.4457
Kuwait §	(Kuwaiti Dinar)				
Laos	(New Kip)	1401.89	710.1773	462.6699	543.3682
Lebanon	(Lebanese £)	2085.6	1056.5349	688.3168	808.3720
Lesotho	(Maluti)	5.0180	2.5420	1.6561	1.9449
Liberia	(Liberian $)	1.9740	1	0.6514	0.7651
Libya	(Libyan Dinar)	0.5363	0.2716	0.1769	0.2078
Liechenstein	(Swiss Fr)	2.5350	1.2841	0.8366	0.9825
Luxembourg	(Lux Fr)	62.35	31.5856	20.5775	24.1666
Macao	(Pataca)	15.8258	8.0171	5.2230	6.1340
Madagascar	(MG Fr)	2491.25	1262.0314	822.1947	965.6007
Madeira	(Port Escudo)	267.20	135.3596	88.1848	103.5658
Malawi	(Kwacha)	5.0975	2.5823	1.6823	1.9757
Malaysia	(Ringgit)	5.3277	2.6989	1.7583	2.0650
Maldive Is	(Rufiya)	19.1467	9.6994	6.3190	7.4212
Mali Rep	(CFA Fr)	507.125	256.9022	167.3679	196.5600
Malta	(Maltese £)	0.5970	0.3024	0.1970	0.2313
Martinique	(Local Fr)	10.1425	5.1380	3.3473	3.9312
Mauritania	(Ouguiya)	160.07	81.0891	52.8283	62.0426
Mauritius	(Maur Rupee)	28.10	14.2350	9.2739	10.8914
Mexico	(Mexican Peso)	5736.01a	2905.7801	1893.0726	2223.2596
		5708.28d	2891.7325	1883.9207	2212.5116
Miquelon	(Local Fr)	10.1425	5.1380	3.3473	3.9312
Monaco	(French Fr)	10.1425	5.1380	3.3473	3.9312
Mongolia	(Tugrik)	6.6254	3.3563	2.1866	2.5679
Montserrat	(E Carr $)	5.3311	2.7006	1.7594	2.0663
Morocco	(Dirham)	16.0568	8.1341	5.2992	6.2235
Mozambique	(Metical)	1863.45	943.9969	615	722.2674
Namibia	(S A Rand)	5.0180	2.5420	1.6561	1.9449
Nauru Is	(Australian $)	2.3620	1.1965	0.7795	0.9155
Nepal	(Nepalese Rupee)	57.8528	29.3073	19.0933	22.4235
Netherlands	(Guilder)	3.4200	1.7325	1.1287	1.3255
N'nd Antilles	(A/Guilder)	3.5343a	1.7900	1.1664	1.3698
New Zealand	(NZ $)	3.1765	1.6091	1.0483	1.2312
Nicaragua	(Cordoba)	2665575.0	1350341.945	879727.723	1033168.605
Niger Rep	(CFA Fr)	507.125	256.9022	167.3679	196.5600
Nigeria	(Naira)	15.638	7.9219	5.1610	6.0612
Norway	(Nor. Krone)	11.7100	5.9321	3.8646	4.5387
Oman	(Rial Omani)	0.7629	0.3864	0.2517	0.2956
Pakistan	(Pak. Rupee)	42.00	21.2765	13.8613	16.2790
Panama	(Balboa)	1.9740	1	0.6514	0.7651
Papua New Guinea	(Kina)	1.8367	0.9304	0.6061	0.7118
Paraguay	(Guarani)	2390.47	1210.9777	788.9339	926.5387
Peru	(Inti)	877176.6	444365.046	289497.228	339990.930
Philippines	(Peso)	48.00	24.3161	15.8415	18.6046
Pitcairn Is	(£ Sterling)	1.00	0.5065	0.3300	0.3875
	(NZ $)	3.1765	1.6091	1.0483	1.2312
Poland	(Zloty)	17898.0	9066.8693	5906.9306	6937.2093
Portugal	(Escudo)	267.20	135.3596	88.1848	103.5658
Puerto Rico	(US $)	1.9740	1	0.6514	0.7651
Qatar	(Riyal)	7.2146	3.6548	2.3810	2.7963
Reunion Is. de la	(F/Fr)	10.1425	5.1380	3.3473	3.9312
Romania	(Leu)	37.531	19.0121	12.3861	14.5465
Rwanda	(Fr)	137.654	69.7335	45.4303	53.3542
St Christopher	(E Carr $)	5.3311	2.7006	1.7594	2.0663
St Helena	(£)	1.00	0.5065	0.3300	0.3875
St Lucia	(E Carr $)	5.3311	2.7006	1.7594	2.0663
St Pierre	(French Fr)	10.1425	5.1380	3.3473	3.9312
St Vincent	(E Carr $)	5.3311	2.7006	1.7594	2.0663
San Marino	(Italian Lira)	2273.00	1151.4690	750.1650	881.0077
Sao Tome	(Dobra)	297.557	150.7380	98.2036	115.3321
Saudi Arabia	(Riyal)	7.4291	3.7634	2.4518	2.8794
Senegal	(CFA Fr)	507.125	256.9022	167.3679	196.5600
Seychelles	(Rupee)	9.60	4.8632	3.1683	3.7209
Sierra Leone	(Leone)	329.60	166.9706	108.7788	127.7519
Singapore	($)	3.4205	1.7327	1.1288	1.3257
Solomon Is	($)	5.0406	2.5534	1.6635	1.9537
Somali Rep	(Shilling)	5173.19	2620.6636	1707.3234	2005.1124
South Africa	(Rand)	5.0180c	2.5420	1.6561	1.9449
		7.7227g	3.9122	2.5487	2.9932
Spain	(Peseta)	189.85	96.1752	62.6567	73.5852
Spanish Ports in N Africa	(Sp Peseta)	189.85	96.1752	62.6567	73.5852
Sri Lanka	(Rupee)	78.00	39.5136	25.7425	30.2325
Sudan Rep	(£)	8.8852o	4.5011	2.9324	3.4438
		22.608g	11.4528	7.4613	8.7627
Surinam	(Guilder)	3.5245	1.7854	1.1632	1.3660
Swaziland	(Lilangeni)	5.0180	2.5420	1.6561	1.9449
Sweden	(Krona)	11.1625	5.6547	3.6839	4.3265
Switzerland	(Fr)	2.5350	1.2841	0.8366	0.9825
Syria	(£)	41.4645a	21	13.6846	16.0715
Taiwan	($)	52.375	26.5324	17.2854	20.3003
Tanzania	(Shilling)	384.80	194.9341	126.9966	149.1472
Thailand	(Baht)	48.50	24.5694	16.0066	18.7984
Togo Rep	(CFA Fr)	507.125	256.9022	167.3679	196.5600
Tonga Is	(Pa Anga)	2.3620	1.1965	0.7795	0.9155
Trinidad/Tobago	($)	8.3916	4.2510	2.7695	3.2525
Tunisia	(Dinar)	1.6963	0.8593	0.5598	0.6574
Turkey	(Lira)	5207.40	2637.9939	1718.6138	2018.3720
Turks & Caicos	(US $)	1.9740	1	0.6514	0.7651
Tuvalu	(Australian $)	2.3620	1.1965	0.7795	0.9155
Uganda	(New Shilling)	943.55	477.9888	311.4026	365.7170
U A E	(Dirham)	7.2756	3.6857	2.4011	2.8200
United Kingdom	(£)	1.00	0.5065	0.3300	0.3875
United States	(US $)	1.9740	1	0.6514	0.7651
Uruguay	(Peso)	2607.00	1320.6686	860.3960	1010.4651
USSR	(Rouble)	1.0723	0.5432	0.3538	0.4156
Vanuatu	(Vatu)	223.50	113.2218	73.7623	86.6279
Vatican	(Lira)	2273.00	1151.4690	750.1650	881.0077
Venezuela	(Bolivar)	96.3178	48.7932	31.7880	37.3324
Vietnam	(Dong)	11452.1	5801.4690	3779.5709	4438.7984
Virgin Is-British	(US $)	1.9740	1	0.6514	0.7651
Virgin Is-US	(US $)	1.9740	1	0.6514	0.7651
Western Samoa	(Tala)	4.5982	2.3293	1.5175	1.7822
Yemen	(Rial)	23.7927	12.0530	7.8523	9.2219
Yemen PDR	(Dinar)	0.9112u	0.4614	0.3007	0.3531
Yugoslavia	(Dinar)	20.5194	10.3948	6.7720	7.9532
Zaire Rep	(Zaire)	1287.00	651.9756	424.7524	498.8372
Zambia	(Kwacha)	77.00	39.0070	25.4125	29.8449
Zimbabwe	($)	4.98	2.5227	1.6435	1.9302

Special Drawing Rights Oct. 5, 1990 United Kingdom £0.739483 United States $1.41574 Germany West D Mark 2.17288 Japan Yen189.214 European Currency Unit Rates Oct. 8, 1990 United Kingdom £0.681891 United States $1.34742 Germany West D Mark 2.06694 Japan Yen176.242

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; § Kuwaiti Dinar unavailable.

Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5. Monday, October 8, 1990.

INTERNATIONAL CAPITAL MARKETS

Commerzbank to open 120 extra German branches

By Our Financial Staff

COMMERZBANK, Germany's third largest bank, yesterday combined a DM500m cash call with plans to set up some 120 branches in eastern Germany over the next few years.

Mr Walter Seipp, chairman, said Commerzbank expects to have 50 branches in operation by the end of 1990, and hoped to achieve a greater market share in eastern Germany than it currently has in western Germany.

"I am more certain than ever that we will succeed over the next few years in achieving a proportionally higher market share than we have in what used to be West Germany," Mr Seipp said.

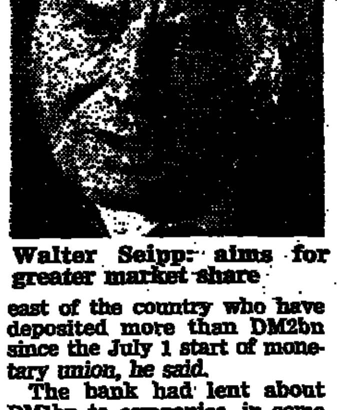
Mr Seipp said that the bank's balance sheet total in eastern Germany was currently about DM6bn.

The bank's rights issue plans centred on a DM500m issue of profit-sharing certificates.

The certificates, to be issued on a one for 11 basis, will be priced at par and be convertible into Commerzbank shares.

Conversion of the certificates will be over an eight-year period beginning in 1991.

Mr Seipp said his bank had around 80,000 customers in the east of the country who have deposited more than DM2bn since the July 1 start of monetary union, he said.



Walter Seipp: aims for greater market share

The bank had lent about DM1bn to companies, in some cases without a guarantee from the former East German state agency Treuhandanstalt.

The agency can offer guarantees on loans to companies which it sees as commercially viable.

Mr Seipp said Commerzbank has agreed to lend nine members of staff to the agency Treuhandanstalt, which is responsible for the privatisation of former East German state-owned companies.

A further 22 staff had been given the task of setting up a consulting team over the next two years, whose services will also be made available to Treuhandanstalt. Mr Seipp said the team will specialise in corporate reorganisation.

Commerzbank added it is looking for a long-term relationship with its corporate customers.

"We are targetting our corporate activities at those firms which promise a long-term business relationship," said Mr Axel von Ruedorffer, Commerzbank's managing board member responsible for eastern Germany.

● BBV Interactivos, the investment arm of Spain's Banco Bilbao Vizcaya, is to open a representative office in London.

The move is seen as the first step in the bank's efforts to list on the London Stock Exchange. Last week BBV opened its first Japanese branch in Tokyo.

SES offers full foreign ownership

THE Stock Exchange of Singapore (SES) plans to allow foreign broking houses to acquire full ownership for member firms, Reuter reports from Singapore.

The SES said foreign brokers wanting 100 per cent ownership of SES member companies will be offered a new category of membership known as international membership.

International members will be able to trade on behalf of non-residents in transactions of any size on the main board, the second board, Stock Exchange of Singapore Dealing and Automated Quotation System (Sesdaq), and electronic Central Limit Order Board (Clob) International.

An international member will be permitted to deal on behalf of a resident of Singapore "in transactions of not less than S$5m per transaction on the SES main board, Sesdaq and Clob International", the SES said.

International members will not be eligible for election to the SES committee and will not be able to vote to elect the committee.

The SES said current policy on foreign-owned joint venture membership will not be changed, with foreign participation in new joint ventures limited to 49 per cent. "No further increase in foreign ownership will be allowed," it said.

However, for joint ventures approved before October 1990 the SES will permit increases in foreign participation up to a maximum of 70 per cent.

Portuguese bank seeks venture partners

By David Lascelles, Banking Editor

BANCO Comercial Português, Portugal's fifth largest bank and one of its fastest-growing, is seeking foreign partners to aid its international expansion and diversification.

Mr Jose Toscano, a director of the bank, said at a presentation in London yesterday that BCP is looking for partners in joint ventures. The relationship could be reinforced by an exchange of shares. He said his bank was holding talks with a number of other institutions. It already has a cross-holding with Banco Popular Español of Spain.

BCP, formed five years ago, has emerged as one of Portugal's most successful banks in the new era of deregulated banking.

Aside from regular banking, it is also expanding into fund management, leasing and factoring. It currently has 105 branches, but aims to increase that to some 300 over the coming years.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on October 8

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99⅞	100⅛	+⅛	8.89
ALBERTA PROVINCE 9 3/8 95	600	101⅛	101½		9.08
AUSTRIA 8 1/2 00	400	94⅞	94⅝	+⅛	9.42
BANK OF TOKYO 8 3/8 96	100	95⅜	95⅝	+⅛	9.47
BELGIUM 9 1/8 92	400	101	101⅜		8.53
BFCE 7 3/4 97	150	93	93⅜	+⅛	9.23
BNP 8 5/8 94	300	99⅛	99½	+⅛	8.89
BP CAPITAL 9 5/8 93	150	101⅞	102⅜	+⅛	8.76
CANADA 9 96	1000	100⅛	100⅜		8.86
CARCO 9 1/4 96	650	98⅞	99⅛	+⅛	9.53
CCCE 9 1/8 95	300	101	101½	+⅛	8.94
COUNCIL EUROPE 8 96	100	95	95½		9.13
CREDIT FONCIER 9 1/2 99	300	100⅛	100½	+⅛	9.44
DENMARK 0 98	250	49	49⅝		9.54
DENMARK 8 1/4 94	150	97⅞	98⅛	+⅛	8.91
ECSC 8 1/4 96	195	95⅞	96⅛	+⅛	9.15
EEC 7 1/4 93	250	97⅛	97⅝	+⅛	8.53
EIB 7 3/4 96	250	94⅛	94⅝	+⅛	9.06
EIB 10 97	250	103⅝	104		9.21
ELEC DE FRANCE 9 98	200	99½	99⅞	+⅛	9.08
EUROFIMA 9 1/4 96	100	100⅞	101⅛	+⅛	9.08
EXPORT DEV CORP 9 1/2 98	150	100⅞	101⅛	+⅛	9.35
FINLAND 7 7/8 97	200	93⅛	93⅝	+⅛	9.32
FINNISH EXPORT 9 3/8 95	200	101⅛	101½	+⅛	9.08
FORD MOTOR CREDIT 9 1/2 93	300	100½	100⅞		9.30
GEN ELEC CAPITAL 9 3/8 96	300	100⅛	100⅝	-⅛	9.32
GMAC 9 1/8 96	200	99⅝	99⅞	+⅛	9.31
HALIFAX 9 1/2 93	200	101⅜	102	+⅛	8.87
IBM WORLD TRADE 7 5/8 93	150	96⅛	96⅝		9.18
IND BK JAPAN FIN 7 7/8 97	200	91⅞	92⅛	+⅛	9.62
INTER AMER DEV 7 5/8 96	200	92⅞	93⅛	+⅛	9.24
ITALY 8 1/2 94	1500	98⅛	98⅜	+⅛	8.88
JAPAN DEV BK 8 94	150	97½	97⅞	+⅛	8.81
KANSAI ELEC PWR 10 96	350	102⅜	102⅞	+⅛	9.37
LTCB 8 5/8 93	150	99	99½		9.06
NEW ZEALAND 8 93	100	98	98⅜	-⅛	8.83
NIPPON CRED BK 9 3/4 93	150	101½	101⅞	+⅛	9.16
NIPPON TEL & TEL 9 3/8 95	200	101⅛	101⅝	-⅛	9.03
NORDIC INV BANK 9 93	200	101	101⅛	+⅛	8.54
OLYMPIA & YORK 8 1/4 96	435	85⅛	87⅛	+2	11.79
ONTARIO HYDRO 11 5/8 94	200	104⅞	105⅛	-1⅛	9.80
OSTER KONTROLLBANK 8 1/8 93	200	99	99⅜	+⅛	8.56
PRUDENTIAL RLTY SECS 0 99	365.216	46⅛	46⅜	+½	9.77
QUEBEC HYDRO 9 3/4 98	150	100⅜	101⅛	+⅛	9.61
QUEBEC PROV 9 98	200	97⅜	97⅞		9.49
SAINSBURY 9 1/8 96	150	98⅞	99⅛	+⅛	9.38
SAS 10 99	200	100⅞	101⅛	+⅛	9.96
SBAB 9 1/2 95	300	101⅞	102⅜	+⅛	9.06
STATE BK STH AUST 9 1/4 93	100	100⅞	101⅛		8.90
SUMITOMO BK CAP MKT 9 3/8 93	150	100⅞	101⅛	+⅛	9.07
SWEDEN 8 1/8 94	150	97⅞	98⅛	+⅛	8.79
SWEDISH EXPORT 9 5/8 93	100	102⅛	102½	+⅛	8.56
TOKYO METROPOLIS 8 1/4 96	200	95⅛	96⅛	+⅛	9.19
WORLD BANK 8 3/8 99	1500	95⅛	95⅝	+⅛	9.35
WORLD BANK 8 3/4 97	1500	99⅝	99⅞	+⅛	9.13
XEROX CORPN 8 3/8 96	100	94⅛	95⅛	+1½	9.72
DEUTSCHE MARK STRAIGHTS					
ASIAN DEV BANK 8 94	200	96⅛	96⅝	+⅛	9.01
AUSTRIA 6 98	400	82⅞	82⅝	-⅛	9.32
CNT 6 1/8 98	200	82⅞	82⅜	-⅛	9.34
CREDIT FONCIER 6 3/4 99	300	85⅛	85⅝		9.36
DEUTSCHE BK FIN 5 5/8 96	750	84⅝	84⅞	+⅛	9.23
EEC 5 3/8 93	300	92⅛	92½	-⅛	9.21
EIB 6 1/8 96	300	86⅛	86⅝		9.31
EIB 6 7/8 95	300	91	91		9.15
EUROFIMA 6 1/4 98	400	83⅛	83⅛		9.31
FELDMUEHLE FINANCE 8 99	200	91	91	-⅛	9.50
FERRO DEL STAT 5 3/8 93	500	92⅛	92½	-⅛	9.16
IND BK JAPAN FIN 5 5/8 96	200	84½	84½	+⅛	9.31
INTER AMER DEV 7 1/4 99	300	88⅜	88⅝	-⅛	9.19
LUFTHANSA INT FIN 5 7/8 98	500	81½	81½	-⅛	9.40
QUEBEC HYDRO 6 3/4 99	300	84⅞	85⅛	+⅛	9.49
SWEDEN 6 1/8 98	300	83⅝	83⅝	+⅛	9.26
WORLD BANK 0 15	2000	12⅛	12⅜	-⅛	8.52
WORLD BANK 5 3/4 96	300	85⅛	85⅛	+⅛	9.31
WORLD BANK 7 1/8 95	500	93⅛	93⅛	+⅛	9.08
SWISS FRANC STRAIGHTS					
[illegible]					
YEN STRAIGHTS					
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	91⅛	92⅛	+⅛	10.02
KREDIETCORP 7 93 LFr	1000	92⅛	93⅛	-⅛	10.05
WORLD BANK 8 96 LFr	1000	91¼	92⅛	-⅛	9.99
AMRO BANK 6 1/4 92 Fl	150	94⅛	95⅛		9.53
RABOBANK 5 3/4 93 Fl	150	92	92⅛		9.61
ALBERTA PROVINCE 10 92 C$	500	97⅛	97½	+⅛	11.75
BCE INC 9 5/8 93 C$	300	94½	95	+⅛	12.19
[illegible]					

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]				

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Prem
[illegible]					

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. [illegible]
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

 Data supplied by Association of International Bond Dealers.

INTERNATIONAL CAPITAL MARKETS

Approval given to Spain stock order system

A NEW system for automatically placing Spanish share orders, known as routing, has been approved by Spain's Sociedad de Bolsas, the body that oversees the country's four stock exchanges, AP-DJ reports from Madrid.

The system, operated by the Sociedad de Routing de la Rectora de la Bolsa de Madrid, allows its clients to place real-time orders with the Computer-Assisted Trading (CAT) continuous market.

Orders will not go straight on to the market but routing will increase the speed at which they are placed, an official explained.

The routing system is due to start operating on November 1, and charges for the system will be set before then, the official said.

Officals declined to give an estimate of possible charges but acknowledged that if prices were set to cover initial operating costs they would probably discourage potential clients.

They noted that the real-time orders systems brought into use on stock exchanges elsewhere have caused stock prices to rise by easing the placement of large, sometimes speculative orders.

The Sociedad de Routing, which is part of the Bolsa, has been operating a pilot routing system with two clients and says 22 trading companies have applied to join.

Siena bank in pact with leading German bank

MONTE dei Paschi di Siena, the big Siena-based bank, has signed a co-operation agreement with Bayerische Landesbank, one of Germany's biggest public-sector financial institutions, writes Haig Simonian in Milan.

Bayerische Landesbank is taking a 5 per cent stake in Credito Commerciale, a Monte dei Paschi subsidiary, while the Italian bank will take 14 per cent of Bankhaus Aufhäuser, a small private bank owned by Bayerische Landesbank.

Interest in Eurosterling delayed by profit-taking

By Tracy Corrigan

INTEREST in Eurosterling bonds is set to grow following sterling's entry to the exchange rate mechanism of the European Monetary System – but it did not show itself yesterday.

A flow of funds was expected because ERM entry would quell investors' concerns about sterling's exposure to exchange-rate fluctuations. But instead, the strength of both bond and currency markets prompted a binge of profit-taking by investors. Some dealers said that sterling's firmness in the wake of the announcement was temporarily discouraging fresh investment.

In the longer term, the move "will give an answer to those investors who have always distrusted sterling as mightily volatile," says David Burnett, executive director of capital markets at Midland Montagu. With sterling interest rates still relatively high, overseas retail and institutional investors are likely to look more closely at a market they have often eschewed.

Friday's 1 per cent cut in base interest rates could be a cue for more borrowing in the sterling sector. Following Friday's three-point rise in gilts prices, yields could be "as low as they will go for a while", according to one analyst.

But this is not the prevailing view among borrowers. Most appear determined to wait for lower rates to push yields down further. For example, Mr David Reid, financial director of Tesco, the UK supermarket chain, says he will not consider raising fixed-rate funds until costs have fallen another two points.

Building societies may be keener to issue, if the rate cut prompts further demand for mortgage finance.

Sterling swap spreads have widened by about 5 basis points, but swap levels are still unattractive historically, with triple-A-rated names stretched to achieve better than 10 basis points below the London interbank offered rate, and other borrowers lucky to borrow at Libor flat.

As the surge in gilt prices subsided yesterday, Eurobond prices, which initially lagged the gilts market rally, caught up. Yield spreads ended the day little changed.

In the sterling floating-rate note market, there was a sell-off of most paper, although issues fixed recently – with three or six months still to run at old rates – gained ground.

As well as the sterling sector, the European currency unit bond market stands to gain from the entry of sterling to the ERM. "The Ecu is now 98.5 per cent-contained within the ERM. Not only does it imply lower Ecu volatility... but opens up a further investor base," remarked Mr Bob Tyley, economist at Paribas Capital Markets. Although Ecu bond prices opened about ⅝ point higher, the rally was short-lived, and "engineered by a mark-up, rather than demand," one trader said.

Another dealer commented: "The fact is that the Ecu bond market has a life of its own and investors are unwilling to pay more for the currency at this time."

For conservative UK institutions, ERM entry is likely to open investment opportunities in European bond markets.

Offerings worth $1bn launched

By Tracy Corrigan

TWO large dollar offerings totalling more than $1bn were launched yesterday despite generally lacklustre demand for dollar securities. In the secondary market, Eurodollar bond spreads continue to widen, relative to the Treasury market. Meanwhile, uncertainty over the US budget still overhangs the US Treasuries market (closed yesterday for the Columbus Day holiday).

INTERNATIONAL BONDS

The $845m deal backed by Citicorp credit card receivables and the $230m offering of four-year bonds for Toyota Motor Finance, both due to be priced later today, are likely to clash over the limited investor interest in dollar securities. Both are targetted mainly at a European retail investor base.

Euro Credit Card Trust 1990-92, Citicorp's first offering of asset-backed bonds in bearer form since January, will be priced to yield 85 basis points to 90 basis points above the five-year US Treasury yield.

Recent Citicorp credit card offerings have been issued globally – launched and traded in Europe, the Far East and the US – and have been registered securities, which most European retail investors eschew. The new ECCT deal offers a substantial 20 or 30 basis point pick up over secondary market prices in previous ECCT Eurobonds. But Citicorp's global bonds are trading at a wider spread of about 100 basis points above the yield curve. Consequently, lead manager UBS Phillips & Drew is targetting investors who do not buy registered bonds. But some banks were sceptical about the level of retail interest in the current environment.

Toyota Motor Finance's $230m four-year deal, to be priced at 59 basis points to 61 basis points above the four-year Treasury, will be competing for attention. Although the spread looks attractive historically, a recent three-year deal for Toyota Motor Credit is now trading at around the same level, having widened substantially since launch.

Elsewhere, Compagnie Bancaire launched a FFr800m five-year issue of floating-rate notes, paying interest at the three-month Paris interbank offered rate. The deal was launched by Société Générale.

In the sterling sector, Citicorp Investment Bank announced a £50m five-year deal for Nationwide Anglia Building Society. The deal, which pays 14 per cent for the first two years, then 22.75 per cent less six-month Libor, was put together prior to Friday's news of sterling entry to ERM.

European centres close below day's best after early enthusiasm

By Simon London

EUROPEAN bond markets reacted with an early show of enthusiasm to sterling's entry into the European exchange rate mechanism, but settled back later in the day as domestic concerns reasserted themselves.

GOVERNMENT BONDS

Most observers doubt whether this initial move of sterling into the ERM will lead to any big change in investment patterns.

There is consensus among analysts that any early shift into sterling assets will take place in short-term money market instruments and shorter-dated bonds.

The uncertain UK economic outlook is seen as a disincentive to invest in longer-dated sterling denominated paper.

A choppy and erratic day on the UK government bond market saw gilts rise strongly across the yield curve in early trading, only to fade at the longer end during the afternoon. The benchmark 11¾ per cent issue, maturing in 2003/07, closed down 7/32 of a point on the day at 102¾, for a yield of 11.31 per cent.

However, shorter and medium-dated bonds performed better.

The 12 per cent 1998 gilt closed up ½ point on the day, for a yield of 11.49 per cent. Bonds of two- to three-year maturity closed the day virtually unchanged.

Analysts pointed to a flattening of the yield curve, with the poor long end performance prompted by profit taking, the unexpectedly lacklustre performance by sterling which closed below the day's high.

"We have yet to see a great deal of overseas buying but when it comes I would expect to see interest in the medium-dated paper," commented Nigel Richardson, analyst at S.G. Warburg.

"Continental investors like to price off a 10-year issue in particular. Shorter dated paper will also perform well, as there is a great deal of pressure for a further base-rate cut before the year end."

Like many continental bond markets, French government bonds were marked up in early trading yesterday, as the market saw sterling's entry into the ERM increasing the chances of a domestic interest rate cut.

Some analysts suggest that sterling entry into ERM will weaken the D-Mark as investors switch into sterling assets.

This may allow an easing of French interest rates without jeopardising the FFr/D-Mark exchange rate.

The French franc is informally limited to a narrow 1 per cent divergence against the D-mark, against 6 per cent for sterling.

The yield spread between 8½ per cent 10-year bunds and OATs has narrowed to 139 basis points from a high of 160 basis points two weeks ago. It may have further to go, especially if the Gulf crisis can be resolved without severe disruption to oil supplies.

The Belgian government bond market also rallied strongly in response to sterling's ERM entry. The benchmark 10 per cent 10-year bond rose to 97.75, for a yield of 10.36 per cent. And there was a similar performance in the Dutch market, where 9 per cent 10-year bond closed at 98.85 on a yield of 9.17 per cent. In Italy, the benchmark 12½ per cent four year issue closed the day virtually unchanged at 97.10, for a yield of 14.04 per cent.

"There are certainly many investors looking to shift into sterling but the economic outlook is uncertain in the UK," commented Umberto Arts, analyst at Kredietbank. "But it will take more confirmation that inflation is falling and under control before we see switching on a large scale."

The German government bond market was focused yesterday on the issue of DM3bn of 9 per cent coupon 10-year federal bonds through a consortium of banks. Priced at 100.60 the bonds offer a yield at launch of 8.91 per cent, but were trading in the secondary market at 100.10 for a yield of 8.98 per cent.

Today the Bundesbank is expected to auction a further DM3bn of the issue, with the authorities retaining DM2bn for market regulation. In September, the Bundesbank rejected all bids in the auction for 8¾ per cent 10-year Unity Fund paper. The previous 10-year federal bond, issued in August with an 8½ per cent coupon, was for DM8bn and was yesterday yielding 8.96 per cent in the secondary market. However, the 9 per cent coupon on the new bund, the highest in eight years, may attract enough domestic interest to ensure a successful auction.

The continued strength of the yen against the dollar prompted further buying of Japanese government bonds, with the benchmark No 119 bond issue closing on a yield of 8.06 per cent, against 8.17 per cent at Friday's close.

During overnight trading in Tokyo the 119 touched a yield low of 8.025 per cent and in the near term analysts expect it to breach 8 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-06	-08/32	11.62	12.57	12.59
		9.000	03/00	87-05	-10/32	11.23	11.76	11.87
		9.000	10/08	85-24	-39/32	10.81	11.13	11.25
US TREASURY		8.750	08/00	100-12	-09/32	8.69	8.78	8.85
		8.750	08/20	99-15	-03/32	8.80	8.93	8.98
JAPAN	No 119	4.800	06/99	83.3451	+0.427	8.06	8.46	8.26
	No 130	6.400	03/00	92.7361	+0.555	7.73	8.06	7.91
GERMANY		8.500	08/00	96.4000	+0.090	9.06	9.07	8.98
FRANCE	BTAN	9.000	11/95	95.0138	+0.372	10.29	10.38	10.39
	OAT	8.500	03/00	88.5300	+0.480	10.44	10.53	10.41
CANADA		10.500	07/00	98.0250	-0.125	11.17	11.19	10.81
NETHERLANDS		9.000	10/00	98.9200	+0.800	9.17	9.27	9.12
AUSTRALIA		13.000	07/00	97.8433	+0.525	13.43	13.53	13.50

London closing, Yields: Local market standard

Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Pilkington placement avoids new SEC rule

By Simon London

PILKINGTON Holdings, the US subsidiary of the UK glass and materials group, has made a $200m private placement of debt securities with a life of up to 20 years in the US – but not under new rules expected to improve access to the US markets.

Three tranches of debt securities have been placed with a group of 20 US life insurance companies. The deal as a whole has an average life of 11 years and an average fixed interest cost of 9.75 per cent.

However, the securities were not placed under the Securities and Exchange Commission rule 144a, introduced to make privately placed securities partially tradeable and to improve access to the US placement market.

Mr Andrew Robb, Pilkington Finance Director, commented that there was at best a marginal advantage to making the placement under rule 144a, with the additional cost of being obliged to pay for a credit rating for the issue.

The deal was agreed shortly before Iraq's invasion of Kuwait, with comparable placements now carrying an interest cost of over 10 per cent. The proceeds of the issue will be used to repay shorter term dollar borrowings, mostly floating rate.

Japanese group withdraws Y5bn three-year issue

JAPANESE industrial company Mizuno has withdrawn an issue of Y5bn currency linked Eurobonds, blaming volatility on the foreign exchange markets, writes Simon London.

The three-year issue was launched on Thursday through Sumitomo Finance, targetted at Japanese institutional investors. It offered exposure to the Australian dollar/yen and sterling/yen exchange rates. Traders suggested this type of deal was often targetted at a single institutional investor and was vulnerable to changes in sentiment.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Monday October 8 1990

[illegible]

FIXED INTEREST

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	65	24	4
Corporations, Dominion and Foreign Bonds	7	1	13
Industrials	1,040	154	369
Financial and Properties	492	92	157
Oils	25	37	27
Plantations	1	0	9
Mines	10	73	73
Others	12	100	72
Totals	1,652	481	724

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
25	Nil	–	¼pm	¼pm	♦ATA Selection	¼pm	
16	Nil	–	2pm	½pm	Greenwich Resources A 5p	½pm	
50	Nil	–	2¾pm	1¼pm	Kynoch (G & G)	1¼pm	
220	55	23/7	90	33	Ratners	70	+13
250	Nil	–	25pm	25pm	♦Wyevale Garden Cntrs. 50p	25pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Oct. 1
- Last Dealings Oct. 12
- Last Declarations Jan. 10
- For settlement Jan. 21

For rate indications see end of London Share Service.

Calls in Amstrad, Davy Corp, Next, Norfolk House, Oliver Resources, Tuskar Res. and Waterford Glass. Puts in Control Sec., Helical Bar and McAlpine (A).

LONDON TRADED OPTIONS

EQUITY futures were marked sharply higher yesterday as dealers responded to the early surge on the cash market. But after the initial advance, prices drifted back on institutional and market-maker selling.

The December FT-SE 100 index opened at 2,340, up 140 points from the previous close in hectic dealing. The first trades were struck at around 2,300.

However, much of the early gain occurred because futures traders had not been able to respond to the announcement that sterling had become a full member of the European Monetary System on Friday.

The futures market closed just 10 minutes after the ERM news, while the stockmarket had traded for another hour and twenty minutes.

During the rest of yesterday's session, the market drifted back in active two-way dealing. Securities houses that had bought stock from institutions sold futures, hoping to profit from the difference between the futures and the underlying market. Some institutions were also straight sellers of futures.

December FT-SE closed at 2,266, up 66 points on the day, on a turnover of 12,264 contracts, making it one of the busiest sessions this year.

Dealing in the traded options market was conducted on a similar basis. Investors took profits by selling calls, particularly in the FT-SE index options.

Total options turnover rose to 72,050 contracts against 42,791 on Friday. Call trading was double that of puts, with the October 2,250 FT-SE index the most popular.

The top equity option was British Telecom as investors switched out of STC shares and into BT stock.

BT traded 2,897 contracts. Marks and Spencer was boosted as retail stocks were lifted after the cut in interest rates. M and S traded 2,484 and the October 220 calls were the most popular.

Next on the list were Trusthouse Forte (2,129 lots), Blue Circle (1,879) and BTR (1,837).

[illegible]

UK COMPANY NEWS

RMC signs first deal in east German growth

By Andrew Bolger

RMC, THE WORLD'S biggest producer of ready-mixed concrete, is pressing ahead with plans to invest an initial DM160m (£53m) in building materials operations in east Germany.

It has signed a contract to acquire the share capital of the formerly state-owned Rüdersdorf cement group, which owns a large works to the east of Berlin, in spite of a legal challenge from Holderbank of Switzerland, the world's biggest cement producer.

RMC recently reported a 40 per cent increase in operating profits from its west German building materials businesses and is keen to share in the growing east German market as public and private investment in infrastructure increases.

Holderbank has applied for an injunction in a Berlin court to block the RMC acquisition and has made a rival bid. However, the UK group said it was confident the injunction would be lifted shortly and in the meantime it had signed a management contract with Treuhand, the trust set up to handle the privatisation of 8,000 former east German state concerns.

Although the management contract is conditional on the injunction being lifted, RMC staff have started work on the modernisation of Rüdersdorf, which last year produced more than 2.5m tonnes of cement. It also produced 350,000 tonnes of lime and has a 50-year reserve of raw materials.

Mr Derek Jenkins, RMC's finance director, said there was bound to be job losses among the 3,500 workforce at the plant, but it was hoped that many of the employees would be retrained and redeployed in other group businesses in the east, such as building materials and aggregates.

Mr Jenkins said its subsidiary Readymix was the biggest building materials supplier in west Germany and the group wanted to build an equally powerful position in the east.

RMC has agreed to participate in a joint venture, to be called Readymix Berlin, in which it will have a direct interest of 50 per cent. The other half will be held by an independent holding company, shareholders of which will include RMC and three west German companies with which it has has long been associated, Raabkarcher, Kloeckner and Rheinische Kalksteinwerke.

RMC said its share of the initial cash contribution for the establishment of the east German building materials operations, including the purchase of Rüdersdorf, would be DM160m. Mr Jenkins said this would be financed out of RMC's current Deutsche Mark facilities and would lift group gearing from a little more than 30 per cent to about 40 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Brit Dredging ....int	2.6	Dec 10	2.6	-	7
Havelock Europe ......int	1.5	Jan 8	nil	-	2.5
Helical Bar ....int	2.4	Nov 19	2.4	-	10
Hunting ....int	4	Dec 11	3.5	-	9
Intereurope Tech......fin	5.4	Nov 16	5	7.4	7
ISA Intl ....int	0.414	Nov 30	0.36	-	1.12
Lyles (S) ....fin	2.55	Jan 2	2.25	4.05	3.75
Pochin's ....fin	16	Dec 7	20	24	29
Porth Gp § ....int	0.5	Dec 3	1.3	-	4.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Includes special 5p payment.

Accountancy change to hit Irish video group

By David Owen

XTRA-VISION, the Dublin-based video rental company which is listed on the USM, yesterday warned that a further revision to its video tape depreciation policy would push the company into loss for both the six months to July 31 and the year as a whole.

The group said that a revision was required in the light of its changed development plans and "developments within the industry." "A comprehensive review of all factors which affect the video tape depreciation policy" will be completed prior to the announcement of interim results on November 30, the company said.

The shares were unchanged at I13p, well below the I48p level at which they came to market in May 1989. In August, the company warned that current-year earnings were likely to be below the previous year's level.

Hitherto, the group has depreciated video cassettes to their estimated residual value on a straight line basis over 30 months. Cassettes acquired on the purchase of other video rental businesses are capitalised at fair value and written off over their estimated useful lives.

In the year to January 31, 1990, the company reported pre-tax profits of I£4.5m. The directors changed their estimate of the useful lives of cassettes from 36 to 30 months during the course of the year. This resulted in an increase of I£60,000 in the depreciation charge, compared with the amount chargeable on the prior basis.

Cityvision, owner of Britain's biggest chain of video film hire stores, yesterday said that it did not expect to modify its depreciation policy – which also writes off the original cost of videos, less an estimated residual value, over 30 months – in the foreseeable future.

"The current position is that we feel our depreciation policy reflects the business we are running," said Mr Terry Norris, managing director. He said that the residual value applied to videos was about 14 per cent of cost.

Odds laid on the brightest spark

David Thomas begins a 12-part series on electricity privatisation

FORCED TO choose the regional electricity company most likely to make a splash in the private sector, many betting people would go for Eastern Electricity.

With turnover last year of £1.62bn, Eastern is the largest of the 12 regional companies due to be privatised in December. Electricity sales were boosted in the 1980s by the dynamic growth of its East Anglian base, which is widely expected to continue into the 1990s.

To outsiders, Eastern's position was symbolised by the choice of Mr James Smith, its chairman, to lead the 12 companies in their pre-privatisation negotiations with Government. A confident Scot who has spent his entire working life in the industry, Mr Smith has positioned Eastern as one of the companies most aggressively committed to diversifying into electricity generation.

And yet there is a palpable feeling of unease among senior managers at Eastern's headquarters at what they see as the over-simple picture sometimes painted of the company. Blinded by high tech, high growth areas such as Cambridge and the M11 corridor, people forget that Eastern's territory also covers some run-down parts of north London.

"We're as much a London board as any other company," said Mr Smith.

Eastern has also been alarmed this year by signs that the economic downturn was hurting its area more than most, with a particularly marked slowing in new housing starts, which is important influence on domestic electricity sales.

"It hasn't been quite as buoyant as people have made out," explained Mr Douglas Swinden, marketing director.

Like the other regional companies, Eastern's prospects will be shaped by the economy of its franchise area. The regional companies derive the bulk of their profits from charges for electricity passing over their local distribution wires. Economic growth stimulates more electricity use which feeds through into the bottom line.

The government was sufficiently impressed by Eastern's prospects to give it a relatively tough launch into the private sector. Eastern is second only to London in the tightness of the constraints placed on its ability to raise prices, while its initial debt of £263m is the third highest.

These conditions, described as "a major challenge" by Mr Smith, also reflect the favourable breakdown of Eastern's customer base. Eastern has an above average dependence on domestic and commercial customers, where sales growth tends to be fastest, and a below average dependence on vulnerable industrial customers.

During the initial bout of competition for large industrial customers earlier this year, Eastern lost only 3.6 per cent of its supply business, less than any other regional company. Similarly, it is relatively protected against the threat of own generation by industrial customers.

Eastern has been trying to boost domestic and commercial sales by aggressive marketing. It has taken more than a third of the new homes market from gas, while sales of off-peak electricity and night-storage heaters have been a particular success.

Mr Smith has seen no need to change his top managers, all of whom are old electricity hands, although private sector expertise has been injected into the finance department. "It is difficult to find people of the right quality to bring in at top level, and all our team has been educated for the private sector," he said.

Consistent with this cautious approach, Mr Smith says that Eastern has no plans to rush into new business activities. Nevertheless, he is among the most emphatic among the chairmen about his wish to take stakes in independent generation projects.

Several ventures are being considered: a 350 megawatt gas-station at Peterborough and a 400 MW station at Coryton are among the most advanced.

Indeed, Mr Smith may have alarmed some potential investors last month by disclosing Eastern's interest in plans for nuclear power stations being developed by British Nuclear Fuels, the state-owned reprocessing group. Whatever Mr Smith's personal views about nuclear power, however, it seems unlikely that any regional company would invest in new nuclear stations until their economics have been transformed.

Meanwhile, Eastern has to manage an historically high programme of replacing its assets. Capital spending increased 14 per cent last year to £153.7m. The programme is projected to peak soon, but gearing is expected to increase to about 45 per cent, since cash flows will not cover all the spending needs.

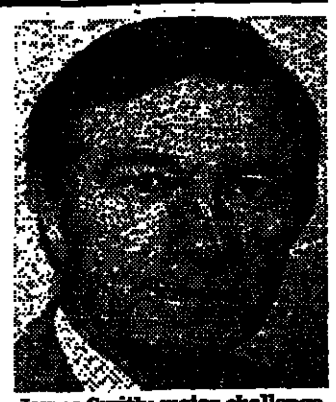
The room for productivity improvements may be limited. In the past five years, according to Smith New Court, Eastern had one of the poorest efficiency improvements of the regional companies, although it started from a high base.

Irrespective of these caveats, However investors are likely to fall back on the relatively rosy outlook for Eastern's local economy. Mr John Wilson, an analyst with UBS Phillips & Drew and one of the most sceptical observers of the electricity companies, is predicting 9 per cent annual growth in Eastern's dividends during its first five years in the private sector, and 9.7 per cent over the first decade.

"Our assessment is that this company represents a low risk investment compared to the average of the companies," Phillips & Drew says.

The FT will be publishing profiles of the regional electricity companies every Tuesday

Eastern Electricity



James Smith: major challenge

Customer breakdown of sales

	Eastern(%)	Industry(%)
Domestic	41.3	34.4
Commercial	27.9	25.9
Industrial	27.7	36.7
Other	3.1	3.0

Source: UBS Phillips & Drew

PRIVATISATION

Polly Peck holders fear banks' intentions

By Richard Waters

MAJOR SHAREHOLDERS in Polly Peck International are trying to wrestle more of a say for themselves in the outcome of talks over the company's future.

They fear that the group's bankers, which are at the centre of current negotiations, are concerned only about money owed to them by Polly Peck, and have scant regard for the interests of the group's shareholders.

One representative of shareholders said yesterday: "Shareholders have in the past been left in the back seat in situations like this. Bankers tend to sort things out to their own advantage."

Shareholders fear in particular that the banks would put Polly Peck into administration if they thought they could recover their money through a disposal of the group's assets. This would be likely to leave little for shareholders.

They point to British & Commonwealth Holdings, the financial services group which went into administration earlier this year, as an example of how banks are prepared to pull the plug on a company provided there are sufficient assets to cover their own debts.

Commenting on B&C, one shareholder said: "We've noted it can happen, and would prefer it not to happen in future."

However, shareholders have little formal say in the current round of negotiations, in which Polly Peck is trying to persuade its banks to roll over £200m of loan facilities and commercial paper that fall due in the final three months of this year.

One – Legal & General – has a seat on the creditors' committee set up by bankers last week, although in its role as a holder of Polly Peck's commercial paper rather than a shareholder.

Otherwise, shareholders are pinning their hopes on lobbying the banks in their current search for a chairman to replace Mr Asil Nadir.

In the words of a shareholders' representative: "If there are to be board changes, and since shareholders elect boards and have a long-term relationship with them, we would want a say."

Another shareholder yesterday expressed surprise that none of Polly Peck's advisers had sounded out shareholders on the idea of a rights issue to get the company out of its immediate difficulties.

He said: "If it was a choice between an administration, which means the banks try to take everyone to the cleaners, or a rights issue which left a sound company at the end of the day, I think shareholders would support the latter."

Shareholders already face big losses on their Polly Peck investments. From £2bn earlier this year, the value of the group had fallen to less than £500m at the time its shares were suspended last month.

Mr Asil Nadir has raised £1.88m from the sale of shares and warrants in a specialist investment trust, it was announced yesterday.

The sale of nearly 1m shares and 200,000 warrants in Turkey Trust, which specialises in Turkish investments, is the first sign of any personal disposals by Mr Nadir to resolve his current financial problems.

These have been caused by the sharp fall in Polly Peck's shares, which has reduced the value of his personal holding from £400m to £100m, as well as his purchases of £30m of shares in the company since the start of September.

Mr Nadir said a week ago that he was experiencing liquidity problems, but that his underlying financial position remained strong. In an interview last week, he valued his net wealth at approaching £1bn.

Glaxo chief gets £85,000 pay rise

By John Authers

Sir Paul Girolami, chairman of Glaxo, the pharmaceuticals company, was awarded a pay increase of £85,000 last year. The company described the 14.2 per cent award as "very restrained".

Sir Paul's salary, revealed in the company report published yesterday, now stands at £683,927, more than double its level of 1987-88. He also has options on 544,800 ordinary shares, worth some £4.5m.

Glaxo, which made a donation of £72,000 to the Conservative Party, up £12,000 from last year, said Sir Paul's pay rise did not conflict with Mrs Margaret Thatcher's recent call to top executives to lead their employees by example on pay restraint.

Glaxo said that, since Sir Paul became chairman in 1979, pre-tax profits had grown at 17.27 per cent per annum, from £66m to £1.4bn, and market capitalisation at 27.5 per cent, from £400m to £11bn, while Sir Paul's salary had risen at 13.67 per cent.

This year, profits rose by 14 per cent. Given this "marvellous" growth, Sir Paul's new salary was "quite justified".

Brent Walker says Goldcrest deal is near

By Maggie Urry

Brent Walker, the leisure group, said last night that it hoped shortly to finalise terms of its sale of the distribution side of Goldcrest, its film business.

Negotiations for the sale to a management team headed by Mr John Quested had reached an advanced stage the company said. Mr George Walker, chairman, told analysts nearly two weeks ago that the deal would raise £30m, although part of the purchase price may be deferred.

Listing particulars for Brent Walker's £103m convertible capital bond have been delayed so that details of the Goldcrest transaction could be included.

Brent Walker, which has net debts of £1.15bn, saw its shares rise 1½p to close at 109p, giving it a market value of £54.7m.

Defence accounts for over half of profit; benefit of oil price rise in second half

Hunting moves ahead 12% to £19.9m

By Jane Fuller

HUNTING, the defence company with aviation and oil interests, increased its pre-tax profit by nearly 12 per cent, from £17.8m to £19.88m, in the first half of the year.

Turnover at the group, which saw its share price halve between September 1989 and July this year mainly because of proposed government cuts in defence spending, advanced by 6 per cent to £356.74m (£336.7m).

More than half the profit came from defence. Mr Ken Miller, chief executive, said the division's £10.68m (£9.86m) contribution benefited from the JP233 airfield attack system, but this would start to tail off later this year and be significantly down next year.

Overseas interest in the LAW80 shoulder-launched anti-tank weapon had been stimulated by the Gulf crisis.

In aviation, profit increased by 12 per cent to £3.02m (£2.69m). The best performance came from the Field Air Motive subsidiary which overhauls engines. Order books were also strong for fitting out commuter aircraft.

The oil and technology division, which contributed £4.54m (£4.34m), saw the advance of Gibson Petroleum in Canada partly offset by specialised products, such as Hammerite vehicle body repair, which were affected by slack UK markets.

Mr Miller said the benefits to Gibson of the oil price rise would come through in the second half, although they would be partly eroded by the strength of the pound.

The economic downturn was delaying the sale of non-core businesses and the estimated realisable value had gone down. An extraordinary loss of £10.4m was included to cover this, reducing the retained profit to little more than £1m (£10.1m).

In spite of this setback to the balance sheet, gearing had fallen from 54 per cent at the year-end to less than 50 per cent.

Fully diluted earnings per share increased by less than 2 per cent to 12.4p (12.2p). Last year's earnings, which were based on an estimate of the effects of the mid-year merger of the three Hunting quoted companies, have turned out to be overstated.

The interim dividend goes up to 4p (3.5p).

● ***COMMENT***

Hunting's aim is to have equal profit contributions from defence, aviation and oil/technology within the next couple of years. Long-term, defence might well move towards more joint-venture activity. The question is: will the main movement be a fall in the defence profit or a rise from the others? After a gloomy period for defence, which saw the Swaarm anti-tank weapon cancelled and prospects dimmed for the MLRS rocket launcher, the Gulf crisis could ease the decline. Its spin-offs also apply to the aviation division, which for example overhauls Hercules engines. Another welcome, and Gulf-related, reprieve in the expected difficult start to the 1990s is the oil price rise. Even after the dust settles, it is hoped that Canadian supplies will be more highly valued because of their relative security. However, there are disappointments, notably in the disposal programme, where the delays and reduced expectations are affecting gearing and limiting the scope for non-defence expansion. A full-year pre-tax profit of £45m gives an undemanding prospective p/e of less than six on yesterday's close of 168p, up 8p. The downside is already in the price and the wait for a 1992 recovery is being sweetened by the dividend policy.

Lydia van der Meer

Ken Miller, chief executive (right), seen with Clive Hunting, his chairman

Cantors buys 24 Lowndes outlets for £1.76m

By David Owen

CANTORS has bought 24 of the stores owned by Lowndes Queensway, its failed fellow high street furniture retailer, from the administrative receivers for £1.76m.

The transaction, which includes outlets in Southampton, Watford, Reading and Coventry, will strengthen Cantors' position in the south and the Midlands.

"We are taking a long-term view as part of our policy of growing the group," said Mr Nicholas Jeffrey, chief executive. "This was a tremendous opportunity which we could not miss."

The shops are to trade under the Cantors name and are expected to reopen in mid-November. The company, which had cash balances prior to the acquisition and recently announced pre-tax profits of £3.99m (£3.04m) for the year to April 28, said that the effect on gearing was "not significant".

Lowndes, which was formed after the £450m acquisition of the Harris Queensway chain in 1988, collapsed in August with debts of some £200m. The failure came just seven months after a £70m refinancing package had been put in place.

Helical Bar down 84% at midway

By Andrew Jack

HELICAL BAR, the property development, investment and trading company, experienced a profits downturn of 84 per cent to £1.6m pre-tax for the six months to July 31.

The fall, from £10m last time, was struck from a turnover which fell by a third to £46.19m (£67.16m), with little new development activity, low sales volume, and rental income accounting for a rising proportion of gross profits.

"These are very cautious half year results which are a function of the marketplace," said Mr Michael Slade, chairman. "High interest rates and a severely depressed sector reduced profits.

"We have been living this year on past development profits," he said. "We can now look forward a lot more positively."

Helical Bar declared an extraordinary credit of £588,000 during the interim for £2m in sales of investment property above their year-end book value.

It did not reduce the value of its net property assets, which stand at around £200m. "We are selling close enough to book value to not need to make any write-downs," said Mr Slade.

Net borrowings fell to £134m although high interest rates pushed interest payments up to £9.6m (£6m). Gearing stands at around 140 per cent.

Earnings per share fell to 2.8p (27.5p). The interim dividend is maintained at 2.4p. The shares closed up 26p at 186p.

● **COMMENT**

Mr Michael Slade, once among the highest paid executives in the UK, has a reputation for canny management. He switched Helical's focus from London into the provinces, particularly in the north; and from commercial into industrial. He has also capped his interest payments and hence avoided the full impact of the hikes during the period. But things may be about to change: despite Helical's insistence that its valuations are sound, analysts have downgraded the company's net asset values for the full year, currently £429m, to between £360m and £385m. The delay between the residential slump and a downturn in commercial and industrial property means asset values may well be further hit in 1991. Rental income should just about cover interest payments now that interest rates are falling – assuming all tenants pay up. Mr Slade's desire for "a more mature portfolio" including quality office space in the south of England will also have to proceed very cautiously.

Havelock Europa ahead as recovery continues

By James Buxton, Scottish Correspondent

HAVELOCK EUROPA, the shopfitting group which has come under new management in the past 18 months, yesterday reported substantially increased profits for the first half of 1990 and a continued recovery. Interim dividends are being resumed with a payment of 1.5p.

Pre-tax profit was £615,000 on sales of £21m. This compares with £312,000 on turnover of £32.7m for the eight months to December 31 1989.

Dissatisfaction among institutional investors with the group's performance in the year to April 21 1989, when it made pre-tax profits of only £52,000, led to the old management being replaced. Mr Lewis Robertson became chairman and Mr Hew Balfour chief executive.

They concentrated manufacturing in three main plants instead of about a dozen and tightened financial management.

Mr Robertson said the interim results were satisfactory, though no directly comparable figures existed because of the change of accounting period. They reflected the continuing transformation of the group, a sharper focus on its manufacturing strengths and the introduction of improved management techniques.

He said the group's involvement with department stores and the larger retail chains such as Boots, Woolworths and Marks and Spencer, which were continuing to equip new stores, partially protected it from the difficulties of the retail sector.

Mr Balfour said Havelock Europa wanted to concentrate on efficient low-cost manufacture of store units for larger customers, and on contracts with a high design and manufacturing content.

A drive on cash use reduced overdue debtors by nearly £2m in the first half of 1990, while borrowings fell steadily and were expected to have halved by the end of 1990 from the position a year earlier, promising a big drop in interest charges, particularly in 1991.

Property Trust lower at £16,000

By Jane Fuller

Property Trust, the USM-quoted concern in which the Cheng family has a 16.4 per cent stake though its Hong Kong company, made a pre-tax profit of £16,000 in the year to March 31 and announced a 2-for-1 rights issue. The profit, compared with £342,000 in the previous year, was struck on turnover of £5.38m (£5.06m).

Mr Anthony Cheng, chairman of both Property Trust and his family's Shun Ho Investments, said that the current year was going to be a bad one, "I'm ashamed to say".

The rights issue, of up to 1.8bn shares at 1p each, would raise a minimum of £5.5m, including Shun Ho taking up its rights to 300m shares and underwriting a further 250m. A maximum of £18m would be raised. The shares closed unchanged at 1p.

The first priority would be to reduce year-end gearing of 180 per cent, cutting the £18m debt by £5.8m. Further proceeds would be used to expand the development programme.

After tax of £140,000 (£1,000) and minorities £177,000 (£10,000 credit) the loss per share was 0.08p (earnings of 0.04p).

Touchstone almost back to profit

By Richard Gourlay

Touchstone, the computer maintenance group which in its former MBS guise was IBM's largest European distributor of personal computers, yesterday announced a further cut in losses after the sale of its product sales business.

Pre-tax losses for the first half of this year fell to £66,000. This compares with £7m in the comparative period which was extended to July 5 when MBS sold the product sales business in a management buy-out.

The sale was triggered by a £14.1m loss in 1988 following IBM's decision to expand its UK distributor network which, in turn, started a price war.

After an extraordinary profit of £733,000 from the final settlement of this sale and the disposal of another subsidiary, the group retained £667,000 in the business having paid no tax. The sale of the product sales business has left the group with net cash of £8m.

Turnover on comparable business increased 22 per cent to £9.8m but falling margins eroded operating profits, said Mr Owen Williams, chairman. He expected further losses in the second half.

The shares closed yesterday down 2¾p at 10½p.

BOARD MEETINGS

TODAY

Interims- Alexandra Workwear, Ashley (Laura), BLP, Hi-Tec Sports, HTV, London & Manchester, NMW Computers, OS Holdings, S & U Stores, Seafield, Walker Greenbank.

Finals- Cramphorn, Savage.

FUTURE DATES

Interims-	
Acorn Computer	Oct. 18
Austin Reed	Oct. 10
Barlows	Oct. 10
Central & Sheerwood	Oct. 16
Densitron	Oct. 25
Fitzwilton	Oct. 10
Geers Gross	Oct. 12
Prowting	Nov. 2
600 Group	Nov. 15
Tudor	Oct. 16
Walker (JO)	Oct. 19
Finals-	
Air London	Oct. 17
Bibby (J)	Nov. 7
Clydesdale Inv.	Oct. 19
Ensign Trust	Oct. 30
Fisher (A)	Oct. 18
Microfilm Repro.	Oct. 11
Norex	Oct. 17
Pegasus	Oct. 25

UK COMPANY NEWS

Price volatility puts leather on a hiding to nothing

After Hillsdown's rescue of Strong & Fisher, Jane Fuller looks at a problem that is more than skin-deep

LAST WEEK'S rescue of Strong & Fisher (Holdings), the UK leather company, by Hillsdown Holdings, which involved control passing to the much larger, diversified food group, at first looks like just another step in the long-running rationalisation of the UK's already contracted leather industry.

With the amount of leather produced falling to about 250m sq ft a year in the 1980s, compared with an average of 380m sq ft in the previous decade, Strong's imminent loss of independence follows a series of takeovers in which it was often a player, if not the ultimate victor.

In the past four years, it made two unsuccessful hostile bids, most recently for Pittard Garnar – the UK's only other quoted leather producer.

The latest move (assuming clearance from the Office of Fair Trading) will see Hillsdown, the UK's largest abattoir operator, injecting its skin trading and processing activities into Strong as part of a refinancing package. A scrutiny of production capacity will follow and fellmongery (wool removal and pelt pickling) seems to be the prime target for rationalisation.

Mr Mike Buswell, the director responsible for Hillsdown's red meat operations, is set to run Strong. As he sees it: "We have a good supply of raw material, a good name and a good product; we just have to get the bit in the middle right."

Yet the common factor in the losses announced last week by both Strong and Pittard was the collapse in raw material prices and the consequent losses on stock.

At the marketing end of the process, although they export 80 to 90 per cent of their output, neither company has seen the full benefits of their policy of focusing on areas where the most value can be added.

In the first half of this year, for which Pittard declared a pre-tax loss last week of £1.87m, only gloving, the smallest of its three divisions, achieved a good profit margin on the basis of supplying leather with technical merits, such as water resistance, for the growing sports market.

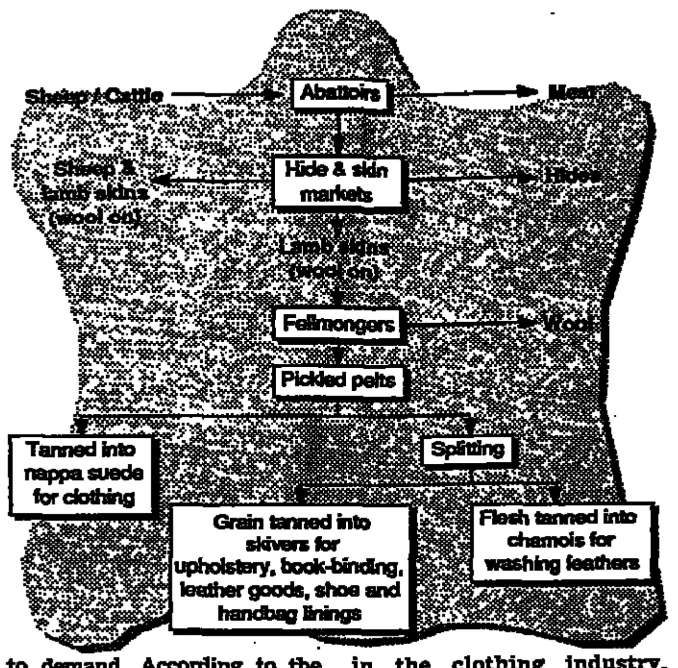
Strong's Hi-tech Leather, with water and stainproof qualities, ran up more than £700,000 in development costs in 1988-89 (the 12-month pre-tax profit was only £1.17m), and whatever benefits fed through in the following year, they clearly did little to redeem the taxable losses of £17.6m, also announced last week.

Taking the problems in production order, it is the companies' vulnerability to raw material price fluctuations that has proved the most intransigent.

A spokesman at the British Leather Confederation (BLC) recalled a crisis in 1979-80 when a collapse in the price of hides and skins brought down the two largest UK concerns in those sectors: Barrow Hepburn and Moorlands.

The fundamental difficulty is that the raw material is produced as a by-product of the meat industry, not in response to demand. According to the BLC, studies by the UN Food & Agriculture Organisation have shown the prices of hides and skins to be the most volatile of any traded commodity.

Light Leather Industry



The past year's discomfiture of Strong and Pittard is a classic example. The price of a UK sheepskin fell from about £6 to £1.20. Stock provisions and write-downs accounted for £3.75m of Strong's 1989-90 deficit. For Pittard, the first-half cost was £1.8m.

Mr John Pittard, managing director, said some customers in the clothing industry, mainly from outside the UK, reneged on their orders in the spring – after his company had bought the skins dearly. He had expected about 20 per cent of contracts to fall by the wayside: instead the "slippage" was nearer 40 per cent.

Another aspect of the problem is the length of the production cycle.

Mr Buswell said the fellmongery stage took 12 to 15 weeks and tanning (including dyeing and finishing) another six months, during which time the value of the stock could change dramatically.

The BLC said international efforts to solve the price problem, including a couple of abortive attempts to establish futures markets, had so far come to nothing.

In the UK, where the sheepskins are said to have a special quality because of the breeds of sheep and the temperate climate, Mr Pittard hoped the resolution of Strong's problems and its combination with Hillsdown, which has more than 10 per cent of the annual kill of nearly 20m lambs, would encourage a more orderly market.

The relationship between the two leather companies (and Hillsdown) is, however, complicated by the fact that Strong holds a 27 per cent stake in Pittard (much of it bought from Hillsdown in April last year at a price about six times last week's level). Mr Pittard said his company was considering whether to use the OFT deliberations as an opportunity to press for the stake's disposal.

Beyond the raw material stage – and the present price is much more favourable for the coming production cycle – both Strong and Pittard have been instrumental in rationalising production capacity and the Hillsdown move will further this process.

Tanning has already undergone a shake-out. In the past three years, both Pittard and Strong have made closures after acquiring businesses. Now the focus of concern is fellmongery: Hillsdown has already closed one site and Mr Buswell said the combined capacity would be closely reviewed.

For Hillsdown, there could be considerable scope for improving production efficiency between live animal and the processed leather.

One industry observer said that in the US, some large meat packers, such as IBP, had moved into processing leather as far as the tanning stage. The savings on transport, handling and salting could be appreciable and deterioration minimised.

The continuing rationalisation will help the producers in the international market, where both Strong and Pittard claim to be among the top six names in terms of quality.

But, as Pittard's recovery plans indicate, there is some way to go before this is cashed in on fully.

Mr Pittard said that following the gloving blueprint, shoe leather was being "refocused on premium areas, such as children's footwear and adult sportswear". However, in clothing leather, the only area where Strong and Pittard compete head on, an established export pattern could not compensate for the collapse in skin price, which remains the chief area of vulnerability.

For this reason, Hillsdown's influence on the raw material market and, in the longer term, on the integration of slaughtering by-products with leather production will be closely watched.

NEWS DIGEST

Pochin's declines to £2.95m

PROFITS OF Pochin's, the Cheshire-based building and civil engineering contractor, fell by 5 per cent to £2.95m pre-tax for the year to end-May 1990.

The figure, down from the previous year's £3.12m, was struck from a turnover just 2.1 per cent higher at £39.25m.

Mr Michael Pochin, chairman, said the country and the company's industry were now in recession and the results had been achieved from turnover acquired in earlier months and not from the current workload.

He warned that Pochin's future order book was not good and that it was becoming increasingly difficult to obtain work with any margin at all.

Mr Pochin said, however, that the company had no net borrowings, mortgages or hire purchase commitments and had a strong and healthy property rental income.

Earnings for the year emerged at 198.7p (216.7p). A final dividend of 16p makes a 24p total. Last year shareholders received 29p including a special 5p payment.

Aviva incurs $828,000 loss

Aviva Petroleum, a UK-based independent oil exploration company, incurred a net loss of $828,000 compared with income of $297,000 for the six months to end-June.

Oil and gas sales totalled $5.5m ($2.14m). The loss was struck after taking account of geographical and dry hole costs amounting to $1.96m ($104,000).

The directors said the company had entered the second six months with cash balances in excess of $22m. They added that recent increases in crude oil prices, if substantial, could benefit the company in the order of $3m a year in increased cash flow based on current US production levels.

ISA Intl advances 21% to £1.75m

ISA International, the computer consumables distributor, lifted taxable profits 21 per cent from £1.45m to £1.75m in the six months to the end of June.

Mr John Parkinson, chairman, said the result was struck after writing off some start-up costs of the new French subsidiary. Profits were expected from the French operation by the year-end, he said.

Turnover more than doubled to £36.32m (£18.1m), representing to the company's declared intention of increasing market share in the dealer divisions in both the UK and Germany. Mr Parkinson said that in the second half gross margins would be increased.

Earnings climbed to 3.747p (3.1p) per share and the interim dividend is raised to 0.414p (0.36p).

In contrast to the upbeat tone of the statement, Mr Parkinson did say that he was concerned about the possible effect of the current economic climate on the liquidity of the UK dealer customers.

British Dredging slides to £1.69m

In the first half of 1990 pre-tax profits fell from £1.92m to £1.69m at British Dredging, the marine dredging company also involved in the supply of sand and gravel, the manufacture of paving blocks, other concrete products and tiles, builders' merchanting and ship repairing.

Mr Fane Vernon, chairman, said that trading conditions in 1989 had been exceptionally favourable, but that they were now "much more difficult . . . especially in the building industry".

Turnover slid to £16.16m (£16.95m), leaving profits at the operating level down at £917,000 (£1.65m). The joint venture with RMC Group, the ready mix concrete company, helped interest receivable rise to £631,000 (£259,000), and the share of profits from related companies advanced to £141,000 (£8,000).

Earnings dropped 8 per cent to 6.28p (6.84p) per share, but the interim dividend is being maintained at 2.6p. There was an extraordinary surplus of £3.28m (nil) relating to the disposal of a 50 per cent interest in British Dredging Aggregates. This left attributable profits substantially higher at £4.38m (£1.19m).

S Lyles falls to £802,000

S Lyles, yarn spinner and dyer, experienced a 23 per cent drop in pre-tax profits in the year ended June 30 1990, but the directors considered the 12 months to be "highly satisfactory".

The profit came to £802,000 (£1.04m) on turnover almost maintained at £21.27m (£21.47m). Home sales fell to £11.78m (£13.17m) while exports moved up to £9.49m (£8.3m).

Mr John Lyles, chairman, welcomed the drop in interest rates and pointed out that "as far as we are concerned, activity in our home market has been affected ever since interest rates started going up again at the beginning of 1989".

Sales for contract carpet in the home market were sustained, while exports rose 15 per cent on the previous six months and 25 per cent on the equivalent period last year.

The current year had made an encouraging start. As capital spending was low and liquidity continued to improve, the dividend is being raised to 4.05p (3.75p) with a final of 2.55p. Earnings were 7.15p (9.45p).

Porth cuts dividend on increased loss

The current level of orders at Porth Group, USM-quoted maker of Christmas decorations, gave the directors sufficient confidence to expect another profitable year.

However, for the first half of 1990 the usual loss increased from a restated £1.36m to £1.52m; and the interim dividend is cut from 1.3p to 0.5p in recognition of the need to maintain appropriate cover based on expectations of the full year's outcome.

Total dividend for 1989 was 4.5p paid from pre-tax profits of £925,000, or earnings of 5.9p.

Mr Neill Bell, chairman, said turnover in the half year rose to £3.08m (£2.53m) and reflected good progress at all three divisions. Despite problems in the UK retail trade, the order book at Porth Decorative was holding up well, with exports being particularly encouraging.

Interest charges increased to £458,000 (£357,000). Loss per share was 9.9p (11.3p).

Chepstow suffers from building work

Chepstow Racecourse sufferred from the disruption of extensive modernisation in the first half of 1990, and its pre-tax profit was halved to £11,017, from £22,750.

The new private boxes were only available for the May/June period, the directors explained; but there were now all fully let. Turnover rose to £705,502 (£534,900) from racing on 11 days (10). Earnings came to 1.7p (3.5p).

Diversity behind ITS rise

BECAUSE OF the wide range of industries it serves, Intereuropean Technology Services has been able to lift its profit 5 per cent in the year ended June 30 1990.

The group, which provides technical documentation and support, has seen a continuance of the shift from defence related work to industries such as aerospace, automotive and power generation.

Turnover rose 3 per cent to £13.58m but trading profit fell 7.5 per cent to £1.12m. However, investment income up 92 per cent at £324,000 pushed pre-tax profit to £1.44m (£1.37m).

Earnings per share worked through at 17.22p (16.24p) and the final dividend is 5.4p for a total of 7.4p (7p).

Mr David Immanuel, chairman, said trading in the current year had started satisfactorily and the order book continued to be healthy.

COMPANY NEWS IN BRIEF

ANTARES GROUP is selling its ceiling and lighting division to IRG for £1m – £600,000 in cash and two £200,000 promissory notes. The companies being sold are Interlux and Precision Metalwork.

ASH & LACY is to buy privately-owned Eden Material Service (UK) for £1.12m cash. The vendors of Eden, a stockist distributor of hollow bar and high specification stainless steel tube, are to be paid an additional dividend of £432,000.

CAPITAL RADIO is to lend I£1.8m (£952,000) to Century Communications for five years, and have the option to subscribe at any time for 720,000 shares in Century at 50p each, representing 20 per cent of the diluted capital.

CHRISTIES International: ADT has lifted its stake from 38.12m to 39.36m shares, equal to 25.23 per cent of the ordinary capital.

HARMONY LEISURE says results for year ended March 31 1990 will be announced in week beginning October 15.

HOSKYNS proposes to buy Taurus, a German computer services company, for an initial £6.6m. Further considieration up to £3.9m could be payable dependent on profits.

LINREAD has bought part of the business and plant of John Hassall of Long Island for the manufacture of hot forged bolts for the aero industry. Initial consideration was $500,000 with further payments of $250,000 in 1992 and 1993.

OLIVES HOLDINGS has sold a 1.7 acre site at Avon Street, Bristol, to Bristol Development Corporation for £1.3m.

RANK ORGANISATION has given undertakings to dispose of ten of Mecca's 12 bingo clubs in Greater London to remedy possible adverse affects on competition following the acquisition of Mecca.

REGINA HEALTH & Beauty Products: The five-for-two rights issue of 55.84m ordinary shares at 2p each has been taken up to the extent of 9.51m shares. Some 16.44m shares have been taken up by directors and various trade associates. The balance has gone to the underwriters, TC Coombs & Co.

ROBINSON (THOMAS) has sold Furse Lifts to Thyssen Lifts and Escalators for a minimum £6.23m cash. Further consideration may be payable. Proceeds will used to reduce borrowings.

TARMAC has launched $300m of auction market preference shares in the US. They will fund the repurchase of $147m of cumulative preference shares from Lone Star Industries by Tarmac America, and repay outstanding dollar debt.

TRUSTHOUSE FORTE: Gardner Merchant, the contract catering division of THF, is to purchase Epoch Food Services for $2.3m (£1.2m). It is being bought from Mr Bachman, founder of the company, and it strengthens Gardner's presence on the West Coast and adds significantly to its critical mass in the US. Epoch is based in Silicon Valley, California, where it has 90 catering and vending contracts. This brings Gardner's total number of contracts to over 600; its turnover exceeds $200m.

Capital investment

A mixture of instinct and formal planning

By Charles Batchelor

Show Edward Kalfayan a piece of printing or copying equipment which does the job better or faster than the one he already has and like as not he will buy it. Kalfayan believes that Printronics, the print services company he founded eight years ago, owes its competitive edge to an aggressive policy of buying the latest available technology.

Printronics, based in London's Covent Garden, was one of the first companies to buy a bubble-jet printer. "More competitors have come in now but I had three months to get the ear of prospective clients," says Kalfayan. "Time is of the essence."

Sometimes this policy goes wrong. Kalfayan bought a Xerox colour copier in 1987 just three months before Konica launched a rival copier which Kalfayan felt was vastly superior. The Xerox machine bought time for Printronics but it became obsolete far faster than Kalfayan had expected.

Despite the fact that he occasionally backs the wrong horse, Kalfayan believes his rapid-fire investment policy is the right one for a company like Printronic, which has turnover of £1.25m and a workforce of 20 people.

Not that Kalfayan rejects the need for a few basic calculations before he spends his money. The equipment he buys must produce the cash flow to pay for itself over three, five or seven years. But the ability to take rapid decisions and to base judgments on an intuitive feel for the market is what distinguishes the small company from the large engineering businesses for which Kalfayan had worked before.

"I got fed up with the corporate world where the time spent trying to justify an investment cost more than the investment was going to save," he says. "By the time the accountants have taken a decision the opportunity has passed. You have to take inspired gambles."

Flexibility is clearly an advantage to a company like Printronics but increasingly small companies are carrying out their investment and financial planning in a more structured way.

"More businesses are preparing formal business plans," says Michael Bottomley, of the financial management group of *accountants KPMG Peat Marwick McLintock*. "The banks and the venture capitalists insist on a business plan if a company wants to raise money."

High interest rates and the uncertain economic outlook also mean it is crucial for small companies, with more limited financial means than their larger counterparts, to plan their spending programmes carefully.

Appraising capital investments is a four-stage process, the Peats financial management team suggests. The stages are:

● The initial screening of the opportunities available. This will identify projects which are unacceptable. Proposals might be rejected because they fall outside the business's long-term development plans or because they would swallow up too much of the company's financial resources.

● Defining the project more closely. This involves deciding the objectives of the project; how much money and time it will take; and identifying what the benefits will be. All the alternatives should be weighed up, including the options of doing nothing or of carrying out only part of the proposal.

● Financial evaluation. This involves calculating the rate of return on the capital and the time needed to pay back the initial outlay on the different options available. However, average rates of return can obscure changes in the rate of return over the life of the project while pay-back periods do not take into account the total benefits of the project, the accountants warn. These weaknesses can be overcome by a method known as discounting future cash flows, valuing anticipated cash flows in present-day terms.

Once the returns of the various options have been worked out the cautious investor may want to test them against the possibility that the assumptions or the estimates on which they are based are not correct. This is known as "sensitivity analysis", a technique where a computer can prove useful.

● *The final decision. If the* numbers look right, management should then take into account non-financial factors. Does the business need a particular product to maintain a complete product range? Is a project essential to keep the company's technical know-how up to date?

Once a decision has been taken the progress of the project should be kept under review to reduce the danger of it taking longer or costing more than planned and to allow managers to learn from any mistakes they make.

For a company like Tinsley Bridge, a Sheffield-based manufacturer of commercial vehicle springs, an awareness of the need for tight financial planning was something its managers brought with them when they staged a buy-out of their company from British Steel three years ago.

The management of Tinsley, which has sales of £17m and a workforce of 420 people, is working on a five-year business plan which may involve spending £2m a year on taking the company to what Michael Webber, managing director, calls "world class standard". Tinsley has to increase capacity if it is to retain its independence and remain a significant player in the automotive spring market, says Webber.

The company's managers are on the fourth draft of their five-year plan. "We started out by saying: 'This is the logical way to invest in new plant'," explains Webber. "It was a splendid plan but we would have been bust before we got to the end of it. We would have spent a lot of money early on but the payback would have come at the end. So we turned it round to spend first on things which would give us the biggest payback." Instead of increasing the capacity of the main line from 200 to 400 tonnes a week Tinsley will raise capacity to 300 tonnes over the first three years and it will not immediately add all the features it wanted.

Michael Webber: spending first on equipment that provides the biggest payback

Tinsley's managers are devoting considerable thought to their capital investment programme but some companies only appreciate the need for good financial planning after making mistakes.

"We have learned our lessons the hard way," says Philip Wolfe, managing director of Intersolar Group, a High Wycombe, Buckinghamshire-based manufacturer of solar-powered generators. "In common with many small businesses we started off taking decisions by the seat of our pants."

One decision which was badly handled was Intersolar's first attempt to break into the US market. "We invested in establishing a subsidiary company in the US before the market was ready and we came fairly badly unstuck," recalls Wolfe. "We had to close it down and we now tackle the US market differently. We had not considered our decision carefully enough beforehand."

Learning from these mistakes, Intersolar, which has sales of £5m and 60 employees, now runs routine spending proposals through its computer to calculate pay-back times. Ideally investments will pay for themselves in less than two years.

Before deciding on any non-standard spending in areas such as diversification or the recent acquisition of two small electronics companies, Wolfe will write a business plan which assesses the costs and the long-term benefits. "I also use more intuition in taking these decisions," says Wolfe.

Just how thoroughly a business plans its investment spending depends on its size, the attitudes and background of the owner and its ability to apply often complex accounting techniques. For many small businesses such as Printronics the owner's instincts can be a reasonably reliable guide to action.

As businesses grow and reach the size of Intersolar and Tinsley Bridge greater formality appears to be inevitable.

Innovation in the community

Charles Batchelor on the role of self-supporting jobs

Inner city areas can be difficult places in which to set up and run a business. Suitable premises may be lacking; insurance cover may be expensive; and many customers may be on low incomes.

One answer to these problems may be the community business – trading organisations which are established, owned and controlled by the local community. Their aim is to create self-supporting jobs for local people and to be a focus for development in the area.

Community businesses are the target of the Community Entrepreneurs Development Programme, a £175,000 scheme to provide advice, consultancy services and business support for inner city entrepreneurs and help disseminate best practice. The programme is run by Business in the Community, the umbrella organisation of Britain's enterprise agencies, and it is financed by private sector funds and £34,000 of Department of Environment money.

A new study* looks at 14 innovative community businesses ranging from a launderette, through a children's farm and a garden centre, to an organisation selling "recycled" furniture.

The three principal requirements of the community business are that it is or has plans to become self-sufficient; it fills a genuine unoccupied market niche; and that it is innovative. Any profits that are made must go either to create more employment, provide local services or help other community schemes. Five of the projects covered by the study are profitable while two more make profits from trading but require grants for other activities.

One of the projects, the Possil Community Business, based in Possilpark, Glasgow, has four separate operating subsidiaries providing security guards, painting and decorating, cleaning and a launderette. The group employs 69 people, of whom all but 10 are full-time: it has turnover of £394,000 and after four years is entirely self-financing although profits are described as "very small".

The Possil project successfully identified market niches including the local housing department's need for security services and residents' need for a launderette following the closure of the privately-owned launderette in the area. The business has grown rapidly and is providing jobs for long-term unemployed people in a very deprived area.

Another project, Mudchute City Farm in London's Docklands, covers only 45 per cent of its costs but this percentage was rising, the study said. The farm employed only one full-timer worker and two part-timers but it had involved a far larger number of local residents in preserving a local amenity. It was also a low-cost way of running a public park.

The study provides guidance on the funding, legal structure and management of community businesses.

**Community Businesses: Good Practice in Urban Regeneration. 150 pages. HMSO £16.75.*

Read all about it

■ **How to read a balance sheet. (Second Edition) International Labour Office. 214 pages. £6.60.**

If conventionally-written books which claim to make accounts simple have defeated you in the past then this book may appeal to you. It consists simply of several hundred questions which take the reader through the broad principles underlying accountancy and details of individual profit and loss accounts and balance sheets. Masking the answers with a specially-designed strip torn from the cover flap the reader progresses at his or her own pace through the book; readers are advised to repeat chapters they have not understood. A glossary of terms is also provided. Studies have shown that readers can expect to spend between eight and 16 hours to complete the book, the ILO says.

■ **The European Buy-Out Directory 1990-91. VentureCorp & Pitman. 376 pages. £85.**

Provides a wide-ranging overview of the deal-makers and providers of buy-out finance across Europe as well as of the accountants, lawyers and consultants who also advise management teams and investors.

However, like other attempts to compile a directory of the venture capital and buy-out industries, this publication is dependent entirely on the willingness of those involved to provide the information. Since most dealmakers are opportunistic they are reluctant to categorise their activities too closely. Many therefore list no industrial or geographic preferences for their investments. Biographical information on senior executives is skimpy and the invitation to list strengths frequently produces very bland replies. This book provides a useful source of addresses but is weak on the sort of detail managers might expect for £85.

■ **The Upstart Guide to Setting up a Business in Food and Catering. (Upstart Publications, 10 Barley Mow Passage, Chiswick. London W4 4PF). 65 pages plus factsheets. £7.**

The kitchen table has proved a successful launch pad for many small food and catering businesses. This publication provides a wealth of practical advice for the cook with ambitions beyond her (and his) own family.

Some of the tips – on choosing a name or writing a press release – could be applied to any business start-up but sections on talking to buyers and obtaining a cash and carry card are specific to the food sector.

Harrods, for example, says quality is not usually a problem with its small food suppliers but many buy in large stocks of cheap labels and packaging material which is not suitable for upmarket outlets. The large supermarkets, such as Sainsbury's, buy centrally so the guide advises new businesses not to waste time talking to the local store manager.

Charles Batchelor

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For further information, contact Mr S. Morgan or Mr N. Edwards at the address below or at Stevenage Tel: 0438 314433; Fax: 0438 318420.

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For further information please contact the Joint Administrative Receivers Mr C. Morris or Mr N.G. Atkinson at the address below.

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For further details please contact:
Alan Maynard at
Stuart Low Ltd.
Park View Nursery
Crews Hill
Enfield
Middlesex EN2 9BQ

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Fax: 081-363 4166
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For further details contact Stephen Taylor/Jill Howsam at Cork Gully, Cumberland House, 35 Park Row, Nottingham, NG1 6GR, telephone 0602 470658, fax 0602 879207, or Jane Ingle at the company's premises, telephone 0602 879207, fax 0602 617640.

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Cork Gully

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BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
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For further information, contact: Stephen Hook, Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ. Telephone No: 071 606 7700 Ext 2786.

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Cork Gully

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Outstanding Golf and Leisure Opportunity

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Wells Cundall Commercial (0482) 25634 Ref: MH
or Humberts Leisure 071-629 6700 Ref: TPHS

Humberts Chartered Surveyors 25 Grosvenor Street, London W1X 9FE Fax 071-493 4646
Tel: 071-629 6700

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For sale by the Administrative Receivers:
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PRS Consultancy Services
Undertakes a wide range of consultancy projects for leading vehicle and component manufacturers.
PRS Corporate Information Services
Coverage of international and specialist press.
PRS Publishing
Automotive and engine year books, market studies and forecasts.
Turnover 1989/90 £3.2 million
68 employees
Leasehold Premises at Harbour Exchange Square, E14 & Swallow St W1.
Please contact :- Phillip Sykes or Peter Dubuisson, BDO Binder Hamlyn, 20 Old Bailey, London EC4M 7BH.
Telephone 071 489 9000, Fax 071 489 6295.

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MON BUILDING SUPPLIES LIMITED

(In Administrative Receivership)

The administrative receivers offer for sale as a going concern the business and assets of Mon Building Supplies Limited being builders and plumbers merchants for trade and retail customers.

- Freehold premises on a site of approximately 0.75 acre, situated at Amlwch, Anglesey;
- Stock, equipment and vehicles; and
- Draft turnover year ended 31 March 1990 £1.7 million.

For further details please contact
Stephen Quinn or David Witty,
BDO Binder Hamlyn,
Scottish Provident House,
52 Brown Street,
Manchester,
M2 2AU.
Telephone: 061-831 7121
Fax: 061-833 0669

BDO BINDER HAMLYN

Chartered Accountants

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The Joint Administrative Receivers offer for sale the business and assets of

Van der Velde Limited

(In Receivership)

Newcastle based Office Supplies and Commercial Stationers including supply and maintenance of Computer Equipment.

- 12,000 sq ft leasehold property, showroom, office and workshop
- Average annual turnover £1.5 million
- Skilled workforce

For details please contact the Joint Administrative Receivers, Miles Middleton and Gordon Goldie of Cork Gully, Archbold House, Archbold Terrace, Newcastle-Upon-Tyne, NE2 1DQ. Telephone (091) 281 3513, Fax (091) 281 7492.

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Cork Gully

Priory Furniture Ltd.

(In Receivership)

The assets and undertaking of the above old established furniture manufacturing business are available for sale as a going concern.

- Operates from location in Droylsden, East Manchester and Glenrothes, Scotland.
- Manufactures a wide range of high quality furniture.
- Annual sales of over £4 million.
- Current order book exceeds £1 million.
- Skilled workforce of approximately 220.
- Computer aided design and manufacturing facilities.
- Substantial modern woodworking plant and machinery.

For further information please contact:
The Joint Administrative Receiver, AJP Brereton FCA, Price Waterhouse, York House, York Street, Manchester M2 4WS. Telephone: 061-228 6541. Telex: 669591. Fax: 061-228 1429.

Price Waterhouse

BUILDING CONTRACTOR

(Avon and Gloucestershire)

- Excellent record of a wide range of completed projects
- Well established with a blue chip customer base
- Strong management team
- 1990 forecast, turnover £6m, profit before tax £0.3m
- 1989 actual, turnover £5m, profit before tax £0.27m
- Healthy order book with high growth potential
- Net assets £0.35m with no borrowings

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T/O £1.3M. G/P £400K. Suppliers to major retailers with 35 years Brand Name.
Easy to relocate. Three acre freehold site with 80K. s/f covered may be available. Location Surrey.

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Static and Touring Caravan Park
53 Acres - PP 165 Statics and 50 Tourers
Delightful Location with Own Lake
Adjoining Stable Block, Agricultural Land
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Small luxuriously appointed hotel

An opportunity exists to acquire outright, or become a shareholder in, this hotel located about 70 miles west of Barcelona and less than 5 miles from motorways.
The property, which extends to some 100 acres, stands 1800 feet above sea level and the sea is visible 20 miles distant.
The accommodation in the hotel is 27 luxury bedrooms with beautifully appointed restaurants. Capital is required to complete leisure facilities or the present shareholders would consider an outright sale.

Write Box H7386, Financial Times,
One Southwark Bridge, London SE1 9HL

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Receivables totalling £7.3m

Please write to Box No. H7419, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE

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SPECIALIST SILKSCREEN MANUFACTURING

We are retained to sell the above business which is regarded as one of the leaders in its field.

KEY BENEFITS:-
* *T/O £2M plus and profitable*
* Blue chip customers loyal over many years.
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* Up to date and comprehensive range of equipment giving production flexibility.

FOR DETAILS WRITE TO:-

ACS
Grove Lodge
Lawrence Grove
Binfield
Berks RG12 5BL
Fax 0344 411620

JOYSTICK MANUFACTURER

The assets and trade of Creative Devices Research Limited are offered for sale as a going concern.
Based at Rassau (Ebbw Vale) South Wales, the Company manufactures a range of ten computer joysticks.
- Potential annual turnover of £2.5m
- World wide sales outlets
- Reliable quality products
- Leasehold premises of 20,000 square feet.

Interested parties should apply to the joint administrative receivers:
Barry Mitchell and Barry Jones

KPMG Peat Marwick Corporate Recovery
Marlborough House, Fitzalan Court, Fitzalan Road, Cardiff, CF2 1TE. Tel: 0222 462463. Fax: 0222 481605.

WOODSTOCK GROUP LIMITED & WOODSTOCK UPHOLSTERY LIMITED

The Joint Administrative Receivers, Alastair Jones and John Wheatley offer for sale the business and assets of the above *companies*.
The business comprises the manufacture of furniture principally for the mail order industry.
Included for sale are the following:
* Leasehold property at the following locations:
  Brackley, Northampton, Newton Aycliffe
* Motor vehicles
* Plant & machinery
* Stock and work-in-progress
* Goodwill
* Turnover in the region of £11m per annum representing production of approximately 1,100 suites per week.

For further information please contact the Joint Administrative Receiver:
Alastair Jones

KPMG Peat Marwick Corporate Recovery
Peat House, 2 Cornwall Street, Birmingham B3 2PL.
Tel: 021 233 1666. Fax: 021 233 4390.

COMMERCIAL REFRIGERATION & CATERING EQUIPMENT SALES AND SERVICE OPERATING IN LONDON, SURREY & BERKS

* Turnover £800,000 Est. 1986, 31% GP
* With or without existing management and agencies
* 1000 sq unit inc. offices and storage
* 400 plus customer base, 40% repeat business

Genuine enquiries only: Aggarwal & Co. Chartered Accountants
5 London Road, Rainham, Kent ME8 7RG
Tel: 0634-378833 Fax: 370160

Engineering Company

Designers and manufacturers of own range of hydraulic materials handling equipment. Located north of London, seeks merger/business partner to provide capital to buy out existing institutional shareholder, reduce debt and finance expansion. Much of existing fabrication and machining work is subcontracted. Turnover £1.7m gross contribution £700k in the year ended July 31, 1990. Blue chip customer base, significant export potential.

Would ideally suit similar business looking to expand or fabrication/machining business seeking own products. *Outright sale would be considered.*

Write to Box H7421, Financial Times, One Southwark Bridge, London, SE1 9HL.

"The Directors of the above mentioned company accept responsibility for the contents of this advertisement, which has been approved by Ernst & Young, a firm authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business."

FOR SALE

Motor dealership for a leading manufacturer. Based on the south coast. Turnover c. £5 million.

Contact: Don Bawtree
Neville Russell
37 Frederick Place
Brighton BN1 4EA
Telephone 0273 206788
Fax 0273 820901

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Chartered Accountants

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in the City of London for sale

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Financial Times
One Southwark Bridge
London SE1 9HL

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with dedicated U.K. tour operator ABTA registration. First class long established business with repeat bookings.
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Confidential disposal and acquisition assistance. Civil Engineering t/o 4m+
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Motor Dealers priced 350k up to 4m
Plastics t/o 100k up to 3.5m
For these and other opportunities
Cheltenham (0242) 222914
Facsimile (0242) 222036

Photographic Wholesaler

For sale due to retirement, small highly profitable North West based wholesale business serving specialist photographic and garage forecourt outlets.
Excellent customer base, potential for expansion.
Write Box H7403, Financial Times, One Southwark Bridge, London SE1 9HL

Lyons of Weston Limited
In Receivership

Opportunity to acquire the business and assets of Lyons of Weston Ltd, which include:

- Recently built Freehold premises in Weston-Super-Mare, approximately 16,000 sq ft.
- Second Freehold property situated near main site 12,000 sq ft minimum.
- An established trade name—Lyons of Weston.
- Stock, plant and machinery and vehicles.
- Turnover approximately £700,000 per annum.

The business manufactures, supplies and fits glazing, windows and associated products.

For further details please contact *Philip G Byrne*, Joint Administrative Receiver at Stoy Hayward, Oakfield House, Oakfield Grove, Clifton, Bristol BS8 2BN.
Tel: (0272) 237000, Fax: (0272) 732741.

STOY HAYWARD Horwath
Accountants and Business Advisers A member of Horwath International
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BUILDING CONTRACTOR LANCASHIRE

The Joint Administrative Receivers offer for sale as a going concern the business of Hindle and Padbury Limited briefly comprising of:-
* Freehold premises of approximately 14,000 square feet with retail planning permission
* A well established workforce
* Turnover in excess of £1 million
* Plant and equipment
* Stock in trade comprising timber and DIY supplies

For further details contact the Joint Administrative Receiver:
Michael T Seery

KPMG Peat Marwick Corporate Recovery
Edward VII Quay, Navigation Way, Ashton-on-Ribble, Preston PR2 2YF. Tel: 0772 722822. Fax: 0772 736777.

FOR SALE

Engineering employment agency established 28 years. Turnover £6m + growth potential, trading worldwide, excellent client portfolio.
Write Box H7390, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

STEEL PROFILING COMPANY FOR SALE

Flame Cutting Business based in the South East in modern leasehold premises. Established nearly 20 years with a good Customer base in all sectors of the Engineering Industry. Turnover in excess of £500,000 with good resulting net profits. Sale due to retirement of one of major shareholders.
Write Box H7397, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

HIGH TECH ELECTRONICS SOUTH COAST

Electronics distributor wishes to sell its controlling interest in a high-tech niche manufacturer. Annual profit c£250K, with full order book. High net assets, no debt. Freehold factory and experienced, well-proven management. Interested parties should enclose recent balance sheet, or show ability to meet the £1.5m purchase price.
Principals only should write in full confidence to Box H7395, Financial Times, One Southwark Bridge, London SE1 9HL

PUBLIC COMPANIES FOR SALE

Fully authorised to trade and borrow in all Member States of the European Community

Choice of names from stock or your chosen name and *objects*.

800
No extra costs
Full professional Indemnity Insurance

CORPORATE REGISTRARS
Tel: 0222-382115
Fax 0222 382116

Lakey & Co

Graphics Design Studio with in-house reproduction facilities. Computer-aided. Cotswolds. Prestigious client list. T/o £400K. N.P. £100K. Price £225K.

Knightsbridge Art Gallery & Master Framers/Restorers. Gallery specialises in Contemporary Impressionism. T/o £800K. 90% shareholding. Price £195K.

Builders & DIY Merchants specialising in clearance stock. S. Wales. T/o £1.36m from 2 units. High Profits. Total price £1.75m incl stock & property. Alternatively may split, or may lease either unit with only up-front payment for stock.

(0394) 273371

INDUSTRIAL AUTOMATION

This BS 5750 Electrical and Mechanical project engineering company has an enviable track record of growth and profitability. Turnover now exceeds £5m but could grow faster with synergy.
The company's main expertise is in the design and manufacture of process control systems using industrial computers. Customers are in petrochemical, nuclear and food industries.

Existing management available.
Principals only please. Write to Box No. H7412, Financial Times, One Southwark Bridge, London SE1 9HL

CONTAINER/ PORTABLE OFFICE. SALES & HIRE BUSINESS

Cumbria & Borders Region. Good growth & profit record. Ideal for family, or Company looking for coverage in this area.
Fax: 06973 31757 or write to Box H7400, Financial Times, One *Southwark Bridge, London SE1 9HL*

CHESHIRE NURSING HOME

Substantial 37 bedded, professionally *run under management and recently* refurbished to a very high standard. In top quality residential area.
Price Guide £900k Early completion required. Would consider £400K the remainder deferred payments or shares in PLC.

Write Box No. H7391, Financial Times, One Soupwark Bridge, Lodnon SE1 9HL

LEISURE RELATED INDUSTRY

Long-established vehicle importers *Dynamic growth record to current* 4m turnover. Excellent opportunity for expansion into related markets. Prestige Corporate Headquarters. Sound Asset Base. Price circa 1.4m Principals only.

Write to Box H7389, Financial Times, One Southwark Bridge, London SE1 9HL

Well Established Business

Selling catering hygiene and industrial supplies. Good customer base Devon/Cornwall. Turnover £360,000 and rising. Excellent premises and staff. £250,000 freehold or leasehold by negotiation.

Write to Box H7277, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

MUSIC SHOP

Well established business in South East, full range of instruments/accessories and sheet music, rising sales and profits trend, T/O currently in excess £500k p.a.

Write to Box H7382, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE

- Shot Blasting
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- Metal Finishing

TO INCLUDE:-
1) Plant & Machinery
2) Experienced Workforce
3) Freehold Property London SE7

All enquiries
Brecker Grossmith & Co
Stuart Burns 071 486-3631

FOR SALE

UK Precision Engineering Company
Automotive Components
Sales approximately £20 mil. p.a.

Write Box H7405, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

BIKE DESPATCH COMPANY FOR SALE

Profitable, expanding, established bike despatch company based in West London, Turnover in excess of £150,000 per annum.
For Details Write Box H7416, Financial Times, One Southwark Bridge, London SE1 9HL.

BOOKSHOPS FOR SALE

Stock goodwill and debtors of chain of shops in South of England are available to be purchased preferably as one unit. Turnover approx. £1.5m.
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IN BRUSSELS, BELGIUM clothing company (S.A.). Ideally situated in a prestigious avenue, with 33 millions BF tax deductible losses, for takeover. Write to: Mrs DALIERS, 15 rue bois Paris, 1380 LASNE (Belgium).

ESTABLISHED BUSINESS CENTRE for sale Essex Town. Tel. (0394) 276692 Fax (0394) 274681.

FOR SALE

Long established office products distributor located in Central London. Turnover circa £3.5m per annum. Experienced management seeks a mature partner. May suit European concern.

Serious enquiries only write to Box H7379, Financial Times, One Southwark Bridge, London SE1 9HL

TOOLMAKING COMPANY FOR SALE IN SMETHWICK - WEST MIDLANDS

Established over 15 yrs.
Modern rented factory.
T/O £250,000/£300,000.
Directors retiring.

Write to Box No. H7420, Financial Times, One Southwark Bridge, London SE1 9HL

Advanced Bio Centre Limited

(IN ADMINISTRATIVE RECEIVERSHIP)

The business and assets are offered for sale, in whole or in part, consisting of:

- Importer/exporter of horticultural products from leasehold premises in Somerton and Littlehampton
- Subsidiary company in Portugal employing approximately 65 staff producing plants and plant material for export and home sales
- Employs 11 sales and administrative staff in UK
- Group turnover for 9 months to September 30, 1990 approximately £600,000.

For further *information*, please *contact* the Joint Administrative Receiver, D.J. Pallen, Ernst & Young, Becket House, 1 Lambeth Palace Road, London SE1 7EU. Tel: 071-928 2000. Fax: 071-928 0425.

Ernst & Young
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Motor Dealership

LEEDS

The Joint Administrative Receivers offer for sale as a going concern the business and assets of this division of Hill Financial Services Limited.

Principal assets include:
- Purpose built freehold showroom and workshops at Birstall, Leeds, presently operating as a Citroen dealership
- Stocks of new and second hand cars
- *23 staff*

For further details, please contact the Joint Administrative Receiver, Alan Marlor, Ernst & Young, Barclays House, 6 East Parade, Leeds LS1 1HA. Tel: 0532 431221. Fax: 0532 442241.

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Wool and Synthetic Topmaker

The Joint Administrative Receivers offer for sale as a going concern the business and assets of Sir James Hill & Sons Topmakers – a division of Sir James Hill & Sons Limited.

Principal assets include:
- Annual turnover approximately £3.3m
- Freehold premises at Keighley, W. Yorks
- Plant and machinery
- Speciality processing facility
- Approximately 50 staff including management and laboratory teams

For further details, please contact the Joint Administrative Receiver, Alan Marlor, Ernst & Young, Barclays House, 6 East Parade, Leeds LS1 1HA. Tel: 0532 431221. Fax: 0532 442241.

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FOUR VIDEO RENTAL SHOPS

based in N London & Herts, good high street premises, well established business, present T/O £300K with good potential. Will split. Price £325K.

Write Box H7314, Financial Times, One Southwark Bridge, London SE1 9HL.

PRECISION ENGINEERING COMPANY

South Coast
Serving Aerospace, Defence, Nuclear Industries
Full approvals
Turnover £2M
Excellent order book

Write Box H7426, Financial Times, One Southwark Bridge, London SE1 9HL

هكذا صدر الأصل

TECHNOLOGY

PCs join secondary market

PERSONAL computers have acquired a reputation for instant redundancy. No sooner do you buy one than it is superseded by a newer and more powerful model.

For business computer users who need to be able to take advantage of state-of-the-art advances in computer processing, memory and storage capacity, this pace of development has posed an expensive predicament.

A South Korean company has come up with what it claims is an answer to the problem: upgradable personal computers. Rather than disposing of "old" computers when newer and faster ones are developed, Graphite Microsystems (the Dutch subsidiary of Seoul-based Koryo System) proposes that companies upgrade from one processor to the next without disposing of existing keyboards, displays, cabinets or storage systems.

The design which facilitates this is known as "passive backplane" technology. It operates by having the computer's video, memory and processor components on plug-in circuit cards.

When users of Graphite's computers want to move from a PC that uses Intel's popular, low-cost 80286 computer processor to the more powerful 80386, for example, they merely trade in the existing "backplane" 80286 board for a new 80386 one.

The concept of upgradable PCs is not new, but it has proved one of the most elusive goals of the computer hardware industry. The biggest problem has been in designing a system which is optimised for its least powerful configuration but will still make the most of components in its top-of-the-range implementation.

The key to passive backplane technology is in isolating the video and processor components on to cards in their original design stages. Graphite claims that this allows better performance to be achieved than if modifications had to be made to the main "motherboard" or if the processor upgrade were carried out through an "expansion card" within the PC.

Geof Wheelwright

David Fishlock considers why professional and public views vary about environmental hazards

One's meat is another's poison

Public and professional views about environmental issues are often at variance. We have only to compare the public's opinion of what constitutes significant environmental hazards, as gleaned by opinion polls, with the declared priorities of the US Government's Environmental Protection Agency.

There is scant correlation between the two lists. The foremost US public worry, radioactive wastes, cited by two-thirds of those questioned, does not feature among the watchdog's 14 priority issues.

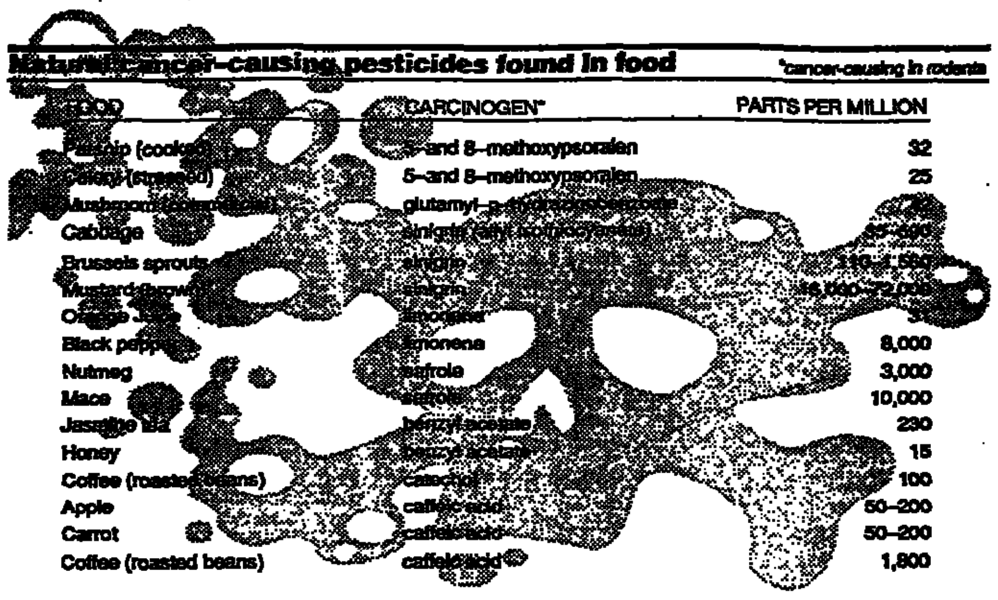
Latent in many of the 29 public concerns stated is the risk of cancer, second only to cardio-vascular disease in the number of deaths it causes worldwide. But according Bruce Ames, a leading US cancer scientist, public opinion is out of line with the facts.

Ames, along with Lois Swirsky Gold, a biochemist at the University of California at Berkeley, offers eight examples of "misconceptions" in public opinion about the link between cancer and environmental pollution. "Underlying these misconceptions is an erroneous belief that nature is benign," says Ames.

Ames's credentials are formidable. He is director of the Environmental Health Sciences Centre at Berkeley, and a member of the US National Academy of Sciences. In addition, he invented the internationally accepted Ames test for using bacteria to detect carcinogenicity (cancer-causing propensity) and mutagenicity (mutation-causing propensity) in chemicals.

The first public misconception, Ames says, is that cancer rates are soaring. Except for lung cancer, mortality rates for all US cancers have been falling since 1950, for all age groups except over-85s. The main falls have been in stomach cancer by 75 per cent, in cervical cancer by 73 per cent, in rectal cancer by 65 per cent and in uterine cancer by 60 per cent. Lung cancer has increased by 247 per cent, owing to smoking, he says. "There is no persuasive evidence that life in the modern industrial world has in general contributed to cancer deaths."

The second public misconception is that cancer risks to people can be assessed by testing chemicals at high doses in rats and mice. We now know that animal tests at near-toxic doses cannot predict the cancer risk to humans at the usually low levels of human exposure. To predict cancer, we must first understand what causes it he says. What scientists have learned recently undermines many of the earlier assumptions of regulatory policy. The use and meaning of routine animal tests for cancer must be rethought.



[illegible] cancer-causing pesticides found in food

*cancer-causing in rodents

FOOD	CARCINOGEN*	PARTS PER MILLION
Parsnip (cook[illegible])	[illegible] and 8-methoxypsoralen	32
Celery (stressed)	5-and 8-methoxypsoralen	25
Mushroom [illegible]	glutamyl-[illegible]	[illegible]
Cabbage	sinigrin [illegible]	[illegible]
Brussels sprouts	sinigrin	[illegible]
Mustard [illegible]	sinigrin	[illegible]–72,000
Orange [illegible]	limonene	[illegible]
Black pepper	limonene	8,000
Nutmeg	safrole	3,000
Mace	safrole	10,000
Jasmine tea	benzyl acetate	230
Honey	benzyl acetate	15
Coffee (roasted beans)	catechol	100
Apple	caffeic acid	50–200
Carrot	caffeic acid	50–200
Coffee (roasted beans)	caffeic acid	1,800

The third public misconception is that most cancer-causing substances are synthetic. "About 99.99 per cent of all pesticides in the human diet are natural pesticides from plants," he says. All plants produce toxins to defend themselves from fungi, insects and animal predators – including man. Tens of thousands of these plant toxins have been identified. Each species of plant has its own set, usually of a few dozen toxins. When the plant is stressed or damaged – when attacked, for example – it increases the level of these natural pesticides many fold "occasionally to levels that are acutely toxic to humans".

Ames and Gold estimate that Americans eat about 1.5 grams each of natural pesticides every day – 10,000 times as much as they consume of synthetic pesticides. Moreover, they are eating between 5,000 and 10,000 different natural pesticides and their breakdown products. Few of these natural pesticides have been tested to see if they may cause cancer, but when so tested they often fail. He cites 27 natural pesticides known to cause cancer in rodents which are found in concentrations exceeding 10 parts per million in such "natural" foodstuffs as apples, Brussels sprouts, cabbage, carrots, cauliflower, celery, coffee, honey, lettuce and potatoes.

It is likely that every plant product in the supermarket contains natural cancer-causing chemicals, commonly at levels thousands of times greater than levels of man-made pesticides, Ames contends. Human defence systems are strong enough to cope with low levels of such toxins – and they do not distinguish between natural and man-made chemistry.

Cooking introduces still more cancer-causing chemicals – "about two grams per person each day of mostly untested burnt material that contains many rodent carcinogens." Roasted coffee, for example, contains about 825 different volatile chemicals. Only 21 have been tested – but 16 of them proved to be rodent carcinogens. Ames estimates that our total intake of browned and burnt material as food in a typical day as "at least several hundred times more than that inhaled from severe outdoor air pollution".

His fourth public misperception is that synthetic toxins pose greater risks than natural toxins. Most natural chemicals have never been tested for carcinogenicity, even though the overwhelming majority of chemicals we eat are natural. Of the 427 chemicals tested so far by feeding to rodents, 350 are synthetic and 77 are natural. In each case about half caused cancer at high doses.

Dioxin is a cancer-causing chemical that inspires much public worry. It causes cancer and birth defects (teratogenecity) in rodents at extremely low doses. It is one of the most feared industrial contaminants, he says. Yet cabbage and broccoli contain a chemical which behaves just like dioxin. So does cooked steak, yet none of these foods is avoided for this reason.

Alcohol is even worse – not only a carcinogen but also "the most important known human chemical teratogen," he says. Five drinks a day are a cancer risk in humans, Ames contends, but the public's worries about dioxin do not correlate with its enthusiasm for alcohol.

His fifth public misperception is that the toxicology of man-made chemicals is somehow different from that of natural chemicals. Human defences against toxins have to be broad based because their numbers are so large. Many naturally toxic substances give off warnings for predators – mustard, pepper, garlic – but humans often ignore them. Moreover, some chemicals we eat can protect against cancer.

His sixth misperception is that air and water pollution causes cancer and birth defects. Ames likens this to jumping to the conclusion that because the birth rates of both storks and humans have long been falling in Europe, storks bring babies. "There is no persuasive evidence from epidemiology or toxicology that pollution is a significant cause of birth defects or cancer," he says. Even in the highly publicised case of Love Canal, where US people were living close to a toxic waste dump, evidence of any effect on public health was equivocal, he says.

His seventh public misperception is that trade-offs are not necessary in eliminating pesticides. Often there has already been a trade-off between nature and man in breeding a plant food to suit his taste, low in substances that may offend him, and consequently weakened in its defences. Cultivated plant foods commonly contain fewer natural toxins than their wild counterparts, he says, among them potato, cabbage, beans, lettuce and mango.

Concluding Ames's eight public misperceptions is the notion that technology harms public health. He believes an important part of the problem is that scientists are learning how to detect and assay lower and lower levels of chemicals, making everyone increasingly aware of the toxic ones. But he is confident that it is the inexorable progress of modern technology and scientific research that will lower cancer death rates and the rates of birth defects, and increase the human life span.

Electric engine systems rev up

By Paul Cheeseright

LUCAS INDUSTRIES has been using the European truck racing championship to hone new electronic engine systems for heavy diesel vehicles – using a noise pollutant to test an air cleanser.

A key element is the electronic unit injector (EUI), developed as a direct response to a requirement in the US for commercial vehicles to meet strict emission controls. The EUI is in the vanguard of new technology to feed fuel into a truck engine more efficiently, more economically and in a way which reduces smoke and emissions.

It is a child of 1960s environmental legislation and, arguably, would not have interested the truck-using community had it not been for the pressure of the US Environmental Protection Agency.

Engine manufacturers found that it would be extremely difficult to meet new emission standards by the mechanical fuel systems where fuel was pumped to the engine and then injected into the cylinder.

Lucas was aware of the need for a high-pressure system to provide high performance. Its scientists found an answer by combining the pump and fuel injector into a single unit which is situated in the cylinder head of the engine.

This was not a wholly new idea. Similar systems, worked by mechanical means, had been used for heavy-duty marine and industrial engines, but they tended to work for long periods at a constant speed.

The problem with truck diesel engines was that, by definition, their operation was much more erratic – changes of speed on the road, variable techniques of driving and so on. The trick was to find a system which would not only work in a smaller engine but provide the reliability and robustness that are the inevitable and repeated demand of every truck operator.

This problem was unravelled by the use of electronics. Rejection of the old pump and pipe system of getting the fuel into the engine permitted smaller amounts of fuel to be pushed into the cylinders but at a higher pressure.

The electronics control the flow. A control unit takes in information about the immediate performance of the engine, absorbing, for example, information about the position of the accelerator pedal, the engine temperature and engine speed.

With this information in hand it can decide on the amount of fuel needed by the engine and translate this into instructions on how much fuel should go into each cylinder. The EUI is now being fitted into Caterpillar trucks in the US and is being produced on a limited but growing scale at a plant of Lucas Diesel Systems at Gloucester in south-west England.

A new plant is under construction to cater for an enlarging market: concern about emission standards and fuel economy is growing in Europe, in much the same way as it did in the US. But, beyond its immediate technological capabilities, the development of the EUI illustrates two points about the motor industry.

The first is the growing dependence on electronic systems. This is the next technological leap as engine and vehicle makers turn their backs on mechanical and electrical components. At the moment, up to 15 per cent of the Lucas automotive components and systems business relies on electronics. By the end of the decade it expects that figure to rise to 85 per cent.

The second is the increasing interdependence of the engine and vehicle makers with their component suppliers. Over the last five years especially the confrontational aspects of their relationship has tended to disappear: sharp bargaining about the price of single parts which may or may not work has been replaced by joint research and development.

Components frequently come in the shape of complete systems that cannot simply be fitted on to an engine. Rather, the engine and the systems have to be designed together. The development of the EUI was a case in point. Although it is owned by Lucas it was designed in co-operation with Caterpillar.

COMMODITIES AND AGRICULTURE

Shell 'not holding large oil stocks'

By Steven Butler

SIR PETER Holmes, chairman of Shell Transport and Trading, said yesterday that large oil companies were unable to do much to help moderate soaring oil prices and that Shell had little oil in its own stocks that could be released to the market.

"Certainly my company has worked on a minimum level of stocks," he said, at a London oil conference sponsored by the Centre for Global Energy Studies, the energy consultancy chaired by Sheik Ahmed Zaki Yamani.

Sir Peter's answer appeared to be an answer to critics of the major oil companies who have said that oil companies should help to bring down prices by releasing oil from stocks.

He said, nevertheless, that global oil stocks were adequate and that government releases of strategic stocks were unnecessary.

The Shell chairman estimated that commercial oil stocks outside the socialist countries amounted to 71 days of forward consumption while government-held stocks were enough for 24 days. He said a stock level for operating purposes was 63 days, giving the world eight days of surplus supplies.

He said that if oil prices were $30 a barrel in the fourth quarter, demand would be reduced by 500,000 barrels a day, and that this would increase to 900,000 b/d in the first quarter of 1990 should prices remain at that level.

He said that an equilibrium price for oil when the world had 4m barrels a day of spare capacity was in the mid to high teens for dollars per barrel. With excess capacity gone from the system, he said, the equilibrium price would be $25 a barrel, plus or minus 10 per cent.

However he said that $25 itself would not hold because prices at these levels would bring on new production and would affect demand for oil.

"Anything above $25 is a war premium," he said. "I think prices are too high. I think they will decline."

Sir Peter was not optimistic that governments in consuming countries could do much to ease the situation.

"Our hope is that governments will not act in a short-term interfering way. A gaggle of bureaucrats, I suspect, will create just as much of a problem in the market."

● Libya yesterday appointed Mr Abdullah Al-Badri, former chairman of the national oil corporation, as oil minister, replacing Mr Fawzi Shakshouki. Mr Shakshouki served throughout the 1980s.

Buyers hold the aces in metals market mating game

Consumers have the upper hand as contract negotiations get under way, writes Kenneth Gooding

THE METAL industry's mating season has begun. This is the time when producers and consumers start the often-tricky contract negotiations about prices to be paid over the coming year. The courtship began yesterday with the start of London's "metals week" which, as usual, has attracted representatives from every important producing and consuming country and corporation.

Consumers certainly have the upper hand this year. Virtually every analyst and commentator is predicting that most metals prices will fall, perhaps sharply, in the coming 12 months.

Demand will show little growth, or even fall back, leading to supply surpluses and increases in stocks, they suggest.

This should sound familiar because it is exactly what the experts were predicting at this time last year. The only differences of opinion then were between those who suggested that metals prices would fall by 10 per cent and those who said 20 per cent was more likely.

In the event, the prices of most of the heavily-traded metals have not fallen as far as the analysts expected and those for aluminium, copper and nickel have regained lost ground in the second half of 1990 instead of continuing their downward path.

There are four main reasons why the forecasters got it wrong, according to Mr Phillip Crowson, senior economic adviser to the RTZ Corporation, the world's biggest mining group.

● They under-estimated the strength of demand, particularly demand from countries outside the traditional metals consuming areas.

● There was much more disruption to metal supplies than forecasters would prudently put into their calculations. Copper, lead, zinc and nickel supplies all suffered considerable disruption.

● The US dollar, used most widely to price metals, has weakened in the second half of this year against most other trading currencies.

● Traders have accentuated price "spikes" (sudden, sharp, upward price movements).

In Mr Crowson's forthright words: "Traders have been playing silly devils. Some spikes have been caused by traders trying to screw each other with speculative, technical squeezes. The state of the markets has encouraged speculators on the LME (London Metal Exchange) and some of the dealings have been close to the borderlines of what is acceptable."

The outlook for base metals demand has certainly been dimmed by the Gulf crisis and the consequent rise in oil prices, which will slow global economic growth. Economists reckon that metals demand usually trails world industrial production by about 1 per cent and they have all been reducing their estimates for next year. S.G. Warburg, the financial services group, for example, was looking for world industrial output to grow by 2.8 per cent next year but is now forecasting 2.1 per cent, then 2.5 per cent for 1992.

Among the more pessimistic economists, those at Shearson Lehman Brothers are forecasting recessions in the US, Canada, Australia and the UK as well as much slower economic growth in Japan and Germany. They suggest this will cut economic growth in the OECD countries from 2.5 per cent this year to only 0.8 per cent in 1991 – the lowest level for several years.

However, Shearson's metals analyst, Mr Neil Buxton, says the outlook for base metals is nowhere near as black as it was in the 1970s. The industry's previous two bull markets – in 1974-75 and 1979-80 – ended with prices falling sharply and remaining depressed for years.

History will not repeat itself, insists Mr Buxton, because:

● The newly industrialised countries now account for a bigger proportion of total metals demand;

● Substitution of other materials for base metals will not be as severe as in previous oil price shocks;

● Capacity utilisation rates are higher today and supply problems are likely to remain a prominent feature of the metals markets;

● And inventories will be rebuilt from low levels.

Mr Euan Worthington, head of S.G. Warburg's mining team, points out that stock levels give a very good indication of the direction of supply and demand – and therefore prices.

"Recent movements are no exception," he insists. These have seen LME stocks of copper, lead, tin and zinc increasing in spite of the fact that at this time of year demand for metals usually rises after a summer lull.

According to Mr Worthington: "The most alarming of these figures is the sharp rise in the LME copper stocks, which some observers have suggested is only because the LME price has recently been at a wide differential to the Comex (New York Commodity Exchange) price and the metal has therefore been shipped across the Atlantic.

"That obviously has had some impact but perhaps more importantly, and a factor which has seen market stocks of most other metals rise, is that we believe consumers have been destocking as the economic background has deteriorated.

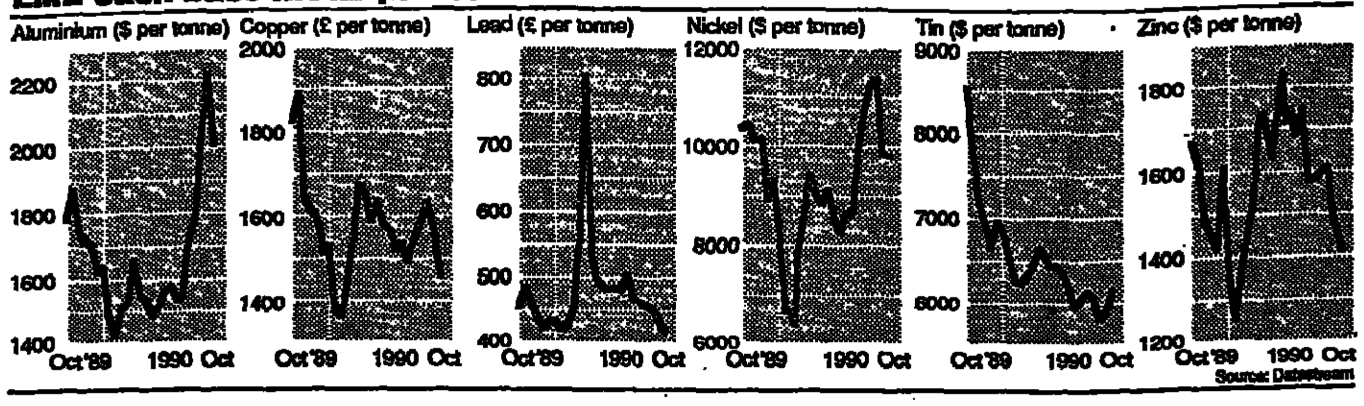
"In this age of just-in-time inventory control, why should consumers hold stock when the price of a metal is falling?"

RTZ's Mr Crowson suggests that, even though base metal stocks are low relative to output, at least on an historical basis, "if sentiment were to change, then the present stocks could become more than ample."

Like every other economist and analyst, he points out that much will depend on what happens in the Middle East, and by extension to the world economy. He says we should bear in mind the advice of Winston Churchill: "It is always wise to look ahead, but difficult to look further than you can see."

Mr Crowson wonders if any forecaster can see very far ahead today. "If they can they should remember the Japanese proverb: He who can see three days ahead will be rich for three thousand years."

LME cash base metal prices



THE LONDON Metal Exchange's "flagship" copper contract was far from perfect and the time was ripe for the LME to make a fundamental reappraisal of its most heavily-traded contract, suggested Mr Simon Payton, secretary general of the International Wrought Copper Council, yesterday.

He was speaking at a seminar organised by the LME to mark the opening of London's "metals week".

Mr Payton pointed to the technical "squeeze" which pushed LME copper prices sharply up in September even though the exchange's copper stocks were at the highest level for nearly four years as an example that "some of the market mechanisms encourage the speculators."

He said that for the past ten years the LME had made frequent, but piecemeal, changes to the copper contract with no sign of a consistent approach. "Let's look again at the contract as a whole. Let's re-state what the LME should be aiming at with the contract."

While it seems unlikely that the LME board will consider major changes to the copper contract – its attitude was summed up at the seminar by the director who said: "If it ain't broke, why fix it?" – it emerged yesterday that serious consideration is being given to changes to the nickel contract.

The exchange is considering having more types of nickel included in its contract to increase liquidity and to widen its appeal.

Various analysts gave their views about the metal markets and some included price forecasts.

Mr John Harris of Rudolf Wolff, suggested the worst was over for tin and that the metal's price would rise from $6,350 a tonne at the end of 1990 to $6,500 in mid-1991 and reach $7,000 by the end of next year.

Mr Stephen Briggs of Metals & Minerals Research Services said lead demand was unlikely to fall even in recession because of its use in replacement batteries. He forecast the price was likely to fall from an average of about 38 cents a lb this year to 33 or 34 cents in 1991.

Mr Angus MacMillan of Billiton-Enthoven Metals suggested aluminium's cash price might average $1 a lb next year but if there was a major recession the price would slump to 70 cents.

Mr Jim Lennon of the Commodities Research Unit predicted that the nickel price would slip from an average of $6.05 a lb in 1989 to $4.15 this year and fall again to between $3.5 and $3.75 in 1991. A world-wide recession would push the price below $3.

UK farming impresses Soviet visitors

By Paul Cheeseright, Midlands Correspondent

SOVIET AGRICULTURAL academics on a study tour of the UK have been most impressed by the mixture in the British system of free market financing and official subsidies. And at least one was struck by the fact that even in a free market system economies of scale were of considerable benefit to farming enterprises.

"The biggest enterprises are the most successful," observed Professor Alexei Prozorov at the end of the five-week tour. He noted that they had greater possibilities to buy and sell and that "richness creates greater richness."

In company with eight other Soviets and two Poles, Professor Prozorov, attended an agricultural management course at at Brooksby college, near Melton Mowbray, and visited farms scattered across the UK. The tour was organised by the British Council and the Nuffield Farming Scholarship Trust.

The professor, who runs three experimental farms at Vologda, 500 km north of Moscow, emerged from the experience with a strengthened conviction that the Soviet Union's vast collective farms should not be broken down into small-holdings. But his appetite for free-market conditions was whetted. "I am waiting for the time when the rouble will become convertible," he said. "Then it will be possible for me to buy machinery, some cattle and high concentrate animal feed."

Impressed by what he had seen on Kentish fruit farms, Mr Sergeii Strokov, formerly of Moscow State University and now an adviser on land legislation to the Soviet Union and Russian Federation authorities, envisaged the spread of marketing and processing co-operatives among Soviet farmers granted control of their own landholdings. But he made the point that with each republic going down its own route on land ownership, it was difficult to paint a general picture.

"The old system of economic relations is being destroyed. A new system has not yet been created," Mr Strokov said. He was convinced that the Soviet farmer would not invest unless he was sure and secure about the ownership of his land.

The visitors found no immediate antidote to the breakdown of the present Soviet system which has led to the despatch of troops and urban volunteers to bring in the harvest. "It is impossible to liquidate the crisis quickly," warned Mr Strokov. "We have a bad structure."

IPE to widen membership

By Steven Butler

THE INTERNATIONAL Petroleum Exchange, London's energy futures market, has decided to broaden its membership by splitting the existing 35 floor members seats on the exchange.

Each current seat holder will be awarded an additional seat along with four trading rights attached to each seat. Existing members will have rights to retain the additional seats, or to sell or lease them.

Trading on the IPE has grown explosively since the relaunch of its Brent crude oil futures contract in June 1988.

Last summer the Exchange introduced a sour crude contract based on Dubai crude oil.

The Exchange said the splitting of seats is aimed at attracting new customer business and further increasing liquidity.

The IPE's volume of trade nearly doubled to 4.13m contracts in the year to the end of March. Subsequently, new monthly trading records have been established.

The Exchange has benefited from the recent high degree of volatility in the oil market.

Coffee price rise forecast

By David Blackwell

ROBUSTA COFFEE prices should see a real improvement in the current quarter as physical supplies tighten in a peak roasting period, according to the latest coffee report from E.D. & F. Man, the London broker.

"Reduced exports from Indonesia and the time-lag before shipments of new crop West African robustas begin leaves a gap in physical supplies to be filled during the peak period of roastings," the report says.

Large shipments of old crop coffee from Africa or increased conillon exports from Brazil are unlikely to fill the gap, Man believes.

A further factor underpinning prices is the large open interest position on the January contract on the London Futures and Options Exchange (Fox), says the report.

On arabicas, Man says now that the speculative long element has been taken out of the market, there is likely to be good support just below current New York prices, in the range of 88 to 92 cents a lb.

Crisis 'bullish for rubber'

By David Blackwell

THE GULF crisis is likely to prove beneficial for natural rubber producers whether it is contained by the international blockade or ends in war, according to the Economist Intelligence Unit.

The first scenario is likely to result in oil prices of around $25 a barrel through next year, while war would lift prices to $40 a barrel or more, the EIU suggests in it current Rubber Trends. Both cases suggest a decline in the growth of natural rubber consumption for the rest of the year and 1991.

But the pressures for a slow-down will be at least partially offset by US government purchases. The National Defense Logistics Agency, which has bought only 7,000 tonnes in the last nine years, is expected by some analysts to buy 12,000 tonnes this year alone.

Over the longer term the recovery in demand for natural rubber is likely to be reinforced by a shift from synthetic, which will cost more because of the rise in oil prices.

The EIU projects a 2.6 per cent rise in total world natural rubber consumption to 5.47m tonnes this year.

WORLD COMMODITIES PRICES

MARKET REPORT

Gold closed above $390 a fine ounce yesterday on the London bullion market after touching a low of $388.50 on the opening, reflecting weaker Asian markets before commission house buying emerged. In the short-term and barring any significant news, gold could now consolidate above $390, dealers said. On the LME lead prices closed well down. The morning market saw an early wave of trade buying and short covering take three months from £415 to £425 a tonne despite sterling's strength against the dollar. But the higher levels attracted hedge selling and profit taking in the rings. The sterling price is now back down in the £405/£410 support band that has twice contained recent market falls. Copper prices also closed down in thin trading, with currency factors continuing to distort the market's chart pattern. The market is expected to be fairly subdued this week as many major operators will be absent from their trading centres to attend the LME annual dinner tonight. Nickel prices were underpinned by currency factors. The market is expected to remain volatile and the next price movement will depend largely on today's warehouse stocks data.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$33.50-3.60y	+0.90
Brent Blend (dated)	$39.00-9.10	+0.75
Brent Blend (November)	$38.15-8.30	+.875
W.T.I. (1 pm est)	$38.78-8.80y	+1.08

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$418-420	-2.5
Gas Oil	$342-345	-0.5
Heavy Fuel Oil	$142-144	

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	233.00	226.00	232.00 227.00
Mar	227.40	221.40	227.80 221.00
May	229.00	222.80	228.40 222.80
Aug	229.80	223.20	225.00
Dec	228.00		225.00

White	Close	Previous	High/Low
Dec	305.1	301.0	306.0 302.5
Mar	302.4	298.5	303.5 299.5
May	301.9	297.5	302.0 299.2
Aug	307.9	306.0	309.0 305.2
Mar	300.9	297.5	303.5

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	700	710	703 693
Mar	739	747	742 733
May	760	770	765 757
Jul	781	788	785 780
Sep	803	812	806 800
Dec	830	841	830 828

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover lots
Cash	2005-10	1980-90	2025	2020-5		
3 months	1850-1	1833-5	1870/1844	1862-5	1865-60	74,393 lots
Copper, Grade A (£ per tonne)						Total daily turnover lots
Cash	1454-5	1474-8	1460/1459	1458-9		
3 months					1395-6	112,336 lots

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	39.20	37.99	39.35	37.70
Dec	37.95	36.87	38.00	36.60
Jan	36.50	35.36	36.86	35.05
Feb	35.05	34.04	35.05	33.80
Apr	32.50	31.64	32.50	31.40
Jun	30.50	29.84	30.25	29.40

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	634/0	617/0	636/4	619/4
Jan	647/4	631/4	650/0	634/0
Mar	659/6	644/0	662/4	646/2
May	668/4	653/4	671/4	656/4

New York

LONDON STOCK EXCHANGE

Big gains cut back in heavy trading

The UK stock market yesterday recorded the highest daily trading volume since before the 1987 market crash as traders struggled to buy shares in companies expected to benefit from Britain's entry to the European exchange rate mechanism and the lowering of UK interest rates.

The FT-SE Index showed a leap of nearly 140 points in early dealings, but this was quickly reduced as domestic and international institutions took the opportunity to sell heavily into strength. By the close, the gain on the Footsie had been cut to 57.7 for a final calculation of 2,201.6.

However, comparisons of both prices and Footsie Index movements are complicated by the decision of the International Stock Exchange to extend trading until 5.30pm on Friday after the ERM announcement.

Much of the initial upturn yesterday reflected Friday's late business marked for Monday's session, the first day of the new trading account. However, Friday's late trading volume was limited by turbulent market conditions, and the equity sector opened strongly.

Most of the institutions stood aside at first, leaving marketmakers to fight to close bear positions still open when the surprise ERM news arrived on Friday afternoon. "Only a clinically insane fund would have tried to join in that competition," commented one broker.

The turndown came quickly, triggered by a sterling/D-Mark rate of 3.05, which had been marked as a selling signal in both currency and equity markets. Equities were sold heavily by both domestic and European institutions, although many funds bought the shares back at lower levels.

As the market settled down, exporting stocks reacted to the implications for their overseas sales of the new level of sterling. At the close, gains in such blue chip leaders as ICI and Glaxo had been reduced to only a few pence, and there were hints in the market of widespread downgradings from broking houses.

The day's Seaq trading total jumped to 1.09bn shares, only just below the volume high-point of 1.3bn shares recorded by Datastream for trading on May 20, 1987. However, the daily Seaq figure can be an unreliable guide to retail activity since it takes in both marketmaker and genuine investment business.

Yesterday's total seemed to reflect substantial increases in both categories. At least two leading marketmaking firms were said to have suffered heavy losses as they were forced to bid up for stock to meet bear positions built up last week. Institutions were only too willing to unload stock at themorning's peak levels, and traders sounded cautious when asked to predict the near term trend of the stock market.

Account Dealing Dates		
*First Dealings:		
Sep 24	Oct 8	Oct 22
Option Declarations:		
Oct 4	Oct 18	Nov 1
Last Dealings:		
Oct 5	Oct 19	Nov 2
Account Day:		
Oct 15	Oct 29	Nov 12

*New-time dealings may take place from 8.30 am two business days earlier.

Retailers, Properties higher

THE ONE-POINT cut in interest rates triggered major rallies in the retailing and property sectors, while other companies with high gearing also benefited.

The stores sector was boosted by a wave of strong early buying, although prices drifted off their best levels during the afternoon on institutional selling. Marks and Spencer rose 20 to 258p on turnover of 13m. Kingfisher was up 39 at 394p on 7.6m, while Dixons added 23 at 156p on 7.3m.

Asda, with its large borrowings, was perceived as a particular beneficiary of lower interest charges. It climbed 12 to 130p as a heavy 21m shares changed hands. Also in demand was Hillsdown, the food manufacturer with interests in property and furniture, which finished 19 higher at 288p on 5.3m.

Property-related construction companies were also sharply firmer. The prospect of lower mortgage payments, together with the reduced cost of servicing debt gave housebuilders a brighter outlook. Higgs and Hill was 44 ahead at 311p, while Countryside Properties rose 19 to 95p.

Watered down

The water sector, one of the market's most defensive areas, was targeted by the UBS Phillips & Drew utilities team as a potential arena of underperformance, and it subsequently performed badly against the wider market.

UBS's Mr Joe Malinowski said the securities house recommended clients move to an underweight position in a sector faced with "almost the worst possible circumstances for outperformance." He pinpointed the probability of "lower inflation, lower interest rates, hopes of economic recovery, enhanced political risk and more visible regulatory risk."

Other specialists remained bullish on dividend prospects but acknowledged that ERM entry was not terribly good news for the water issues. The poorest performers included Southern, 4 lower at 194p, and Anglian, slightly easier at 286p. Some of the more marketable issues gained ground. North West rose 7½ to 234p and Thames was 11 firmer at 234p. The Package, marked up to £2,300 first thing, closed 32 ahead at £2,260.

As the euphoria over ERM entry subsided international stocks, many of which were at a 1990 high on Friday and which are likely to be affected by the increased strength of the pound against the dollar, saw a rash of downgraded profit forecasts by analysts.

Shearson Lehman Brothers revised downwards its 1991 estimates for Glaxo, which hardened 3 to 817p on a rising market, from £1.21bn to £1.17bn, Fisons, which eased 2 to 376p, SmithKline Beecham (back 6 at 554p) London International (up 16 at 228p), Smith &Nephew (stable at 104½p) and Wellcome (up 8 at 486p).

It also moved down its estimate for Reckitt & Colman and attributed a rise of 57 to 1312p for the shares to a bullish US Sunday newspaper article and a shortage of available stock, which had squeezed up the price.

Lehman analyst Ms Jo Walton said: "The economic gun has been trained on export-related stocks."

Hoare Govett moved back its 1991 estimates for Glaxo (to £1.2bn from £1.22bn), Amersham and Smith & Nephew, while Kleinwort Benson said it expected to move back its estimate for Glaxo by around £25m to £1.225bn.

Reuters, which is seen as highly sensitive to the strength of sterling, fell sharply to close 70 down at 703p on heavy turnover both in London and New York.

Analysts said the company earned 80 per cent of its revenue overseas and had net cash in the UK so it had been one of the worst hit by the announcements of ERM entry and a fall in interest rates.

The shares recorded a turnover of 2.1m in early trading in the ADRs on Wall Street and a total of 2.9m in London. They had rallied on Friday on the back of the general rush for equities but fell back yesterday to around their pre-ERM level.

Bank shares spiralled upwards, although closing well below the day's highs. Barclays settled 20 stronger at 390p with 10m traded. Abbey National reached a record 233p prior to closing 16 up on balance at 230p. News that Malaysian businessman Mr Khoo Teck Puat has increased his stake in the bank to 6.48 per cent helped Standard Chartered put on 21½ more to 298p.

The post-ERM entry surge by equities boosted life and composite insurers. Prudential put on 15 to 230p on 9.8m and Commercial Union 34 to 502p.

The strongest contenders among breweries were Bass and Whitbread. Both are regarded as domestic issues and seemed to benefit from the view that the squeeze on consumer spending could be reversed. Bass, which analysts said until yesterday had been rated lowly by the market, stormed ahead to close 77 up at 1050p, while Whitbread "A" jumped 30 to 456p.

In spite of the weaker dollar, international brewers with good brand names also strengthened. Guinness reached 770p before ending 36 up on the session at 753p, Grand Metropolitan finished up 16 at 595p, after 620p, and Allied-Lyons gained 18½ at 491p. Wine and spirit issues were not overlooked.

GEC were restrained by a change of stance by UBS Phillips & Drew, whose Mr Stephen Parker said ERM entry had major implications for strategy in electricals. UBS moved GEC from a buy to a hold, cut its profits forecasts and recommended profit-taking in the stock.

Mr Parker said the balance of favour would shift from overseas to UK earners; from defensive to cyclical plays and that forecasts for GEC were more likely to fall than rise because of currency movements. He said GEC earned 25 per cent of profits from overseas and that, as interest rates declined, investment income would reduce, pushing forecasts down.

UBS also highlighted the attractions of Delta, "the purest play on the UK economy," up 37½ at 341½p, and BICC, 20 higher at 385p ex-dividend.

Cable and Wireless suffered from switching out of the stock into British Telecom, a move recommended by Mr Christopher Tucker at Carr Kitcat & Aitken. The Carr analyst said: "With sterling strengthening against the dollar further cuts in profits estimates at C and W appear unavoidable." Mr Tucker pointed out that around three quarters of the group's earnings are in dollar-related currencies. C and W shares dropped 10 to 447p on 5.1m, while BT closed 17 up at 290½p on 11m. Other big turnover stocks in electronics included the Racal twins, with Electronics putting on 7 to 168p on 14m.

Amstrad, reporting tomorrow – BZW is going for £42.5m and Hoare Govett for £43m, against £76.6m – rose 4¼ to 65p on turnover of 8.3m.

Movement in the buildings group was confined largely to second line concerns, with some companies moving 20 per cent higher. One trader described the move as another example of the market getting carried away, adding that although the economic climate may now be more favourable, there is unlikely to be an overnight improvement. Typical of the rising shares was plant hire specialist Hewden Stuart, up 9 at 76p, and brick manufacturer Ibstock Johnsen, 11 ahead at 105p ex-dividend.

Leading building shares consolidated levels touched briefly in after-hours trading on Friday. Tarmac moved up 12 to 257p as 13m shares changed hands, while Steetley forged ahead 36 to 404p ex-dividend. Other features included Tilbury Group, up 38 at 456p, and Meyer International, 45 higher at 391p.

RMC was boosted by news of an agreement to form a joint venture company, Readymix Berlin, to establish a building materials operation in eastern Germany. The new company – of which RMC will own 50 per cent – is to acquire the share capital of Rudersdorfer Zement. RMC's initial cash commitment is expected to be around DM160m (£53m). RMC finished 48 higher at 648p.

Lower crude oil prices and exchange rate movements kept the oil shares on a tight rein. British Gas was an exception and moved ahead strongly to close 6 up at 232p on turnover of 21m. Some 16m BP shares changed hands, but the stock settled a fraction off at 358¼p, and Shell was a shade harder at 463½p on 8.9m. Ultramar, perceived as almost a pure dollar play and therefore likely to attract hefty profits downgrades, dropped 13 to 339p.

Eurotunnel jumped 30 to 473p after a long-awaited announcement that it was to get the hoped for refinancing package. The Anglo-French consortium is set to receive £1.8bn from its banking syndicate and a further £300m from the European Investment Bank, increasing total available credit facilities from £5bn to £7.1bn.

Lucas Industries suffered from dollar exposure combined with reports that French car sales had followed the UK experience, falling some 11 per cent last month. The shares eased 3 to 127p in contrast with motor distributor stocks, which rejoiced over the fall in interest rates. Lookers rebounded 12 to 74p and Quicks rallied 10 to 76p, while Lex Service, depressed on Friday by a severe profits downgrading, recovered 9 to 195p.

Property stocks benefited from the cut in borrowing costs. Leading issues attracted strong demand, with MEPC moving above 500p at one point before settling back to 478p, a rise of 2; turnover was good, with 3.5m shares traded. British Land also attracted attention and improved 11 to 276p.

UK Land continued to build on Friday's recovery, closing 25 higher at 115p. On the other hand, Hammerson 'A' fell 23 to 540p as the rising value of the pound exposed the company's high exposure to foreign currency-related earnings. Reduced borrowings and a maintained interim dividend of 2.4p helped Helical Bar move up 25 to 186p.

A weekend report of a Fraud Office investigation upset Eurocopy, supplier of photocopying services. The shares fell to 201p before the company said an internal investigation was in progress at its Purdie & Kirkpatrick subsidiary, acquired from Sketchley as part of the purchase of Equipu.

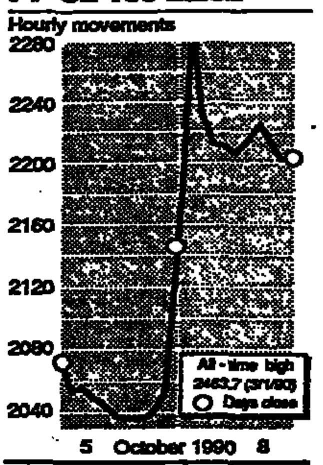
The inquiry followed complaints from customers representing some 1 per cent of its customer base concerning sales practices dating back before the acquisition. Compensation will be made but any such claims would not adversely affect group profits for the year, said Eurocopy, which caused the shares to climb back to 206p for a net loss of 5.

Besieged recently by numerous rumours concerning the half-yearly results, shopfitter Havelock Europe rebounded 24 to 136p as the interim dividend was restored and profits increased nearly five-fold. Sale Tilney regained part of the recent steep loss to close 16 up at 36p following the appointment of a new chief executive.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 33.

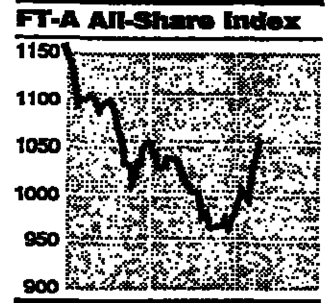
FT-SE 100 Index

Hourly movements



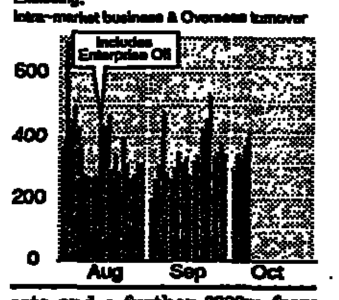
The upward swing of 250 points on the FT-SE Index between Friday's low and the first calculations yesterday imposed significant strains on marketmaker trading positions. Much of the activity between FT-SE 2,040 and 2,280 reflected intra market business. The fall yesterday from 2,280 to 2,200 seemed to take in significant selling by UK and Continental institutions.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (77).
BRITISH FUNDS (20) BANKS (2) BREWERS (4) BUILDINGS (4) STORES (10) ELECTRICALS (1) ENGINEERING (1) FOODS (6) HOTELS (1) INDUSTRIALS (4) Boots, Fisons, Scott Pickford, Spring Ram, INSURANCE (1) PROPERTY (1) TRANSPORT (2) TRUSTS (18) OVERSEAS TRADERS (1).
NEW LOWS (150).
AMERICANS (22) CANADIANS (10) BANKS (6) BREWERS (1) BUILDINGS (3) CHEMICALS (3) STORES (2) ELECTRICALS (8) ENGINEERING (3) FOODS (2) HOTELS (3) INDUSTRIALS (12) Bluebird Toys, Carbo, Cathay Pacific, Dover Corp., Fletcher Challenge, Glaves, Green (E.) & Partners, ISS-Int. Service System B, Melville, NMC 7.75pc Accm. Rd. Pf., Perth, Swire Pacific A, INSURANCE (7) MOTORS (2) NEWSPAPERS (1) PAPERS (4) PROPERTY (7) TRANSPORT (4) TRUSTS (28) OILS (7) OVERSEAS TRADERS (1) MINES (23).

FINANCIAL TIMES STOCK INDICES

	Oct 8	Oct 5	Oct 4	Oct 3	Oct 2	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	80.74	79.96	78.70	78.45	78.47	84.18	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	45.18 (3/1/75)
Fixed Interest	88.50	86.80	86.53	86.49	86.49	95.00	97.91 (2/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1708.7	1655.6	1601.3	1619.0	1594.7	1822.9	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	179.3	184.8	185.9	184.3	184.8	208.2	376.5 (9/2)	167.9 (15/9)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2201.6	2143.9	2070.4	2087.0	2068.5	2247.0	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.80	5.76	5.94	5.87	5.97	4.48				
Earning Yld % (full)	11.72	12.08	12.44	12.31	12.61	10.79				
P/E Ratio (Net)(*)	10.33	10.05	9.74	9.85	9.56	11.20				
SEAQ Bargains 4.45pm	54,547	19,732	17,281	17,845	20,456	29,765				
Equity Turnover (£m)†	-	911.04	781.10	815.16	723.72	911.21				
Equity Bargains†	-	13,073	17,649	16,639	13,355	28,3[illegible]0				
Shares Traded (ml)†	-	405.0	367.9	322.1	334.8	379.4				

Ordinary Share Index, Hourly changes — Day's High 17[illegible] Day's Low 1704.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
17[illegible]	1732.7	1716.8	1716.5	1710.7	1716.4	1713.3	1710.0	1704.6

FT-SE, Hourly changes — Day's High 2283.7 Day's Low 2199.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2278.8	2234.8	2212.5	2211.5	2207.1	2216.1	2224.8	2215.0	2199.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ⊙ Nil 10.17

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

GILT EDGED ACTIVITY

Indices	Oct 5	Oct 4
Gilt Edged Bargains	95.8	77.2
5-Day average	89.9	85.2

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]			

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

APPOINTMENTS

Top posts at John Brown

■ Mr Graham Mead has been appointed sales and marketing director of JOHN BROWN ENGINEERS & CONSTRUCTORS, following the promotion of Mr David Moorhouse to managing director. Mr Mead was associate director - defence projects. Mr Brian Osborne has been appointed managing director, Portsmouth operations. He was sales and marketing director, and succeeds Mr Derek Hanson who becomes sector co-ordination director, pharmaceuticals and environmental engineering. John Brown is a Trafalgar House company.

■ Mr Mark Abrahams has been appointed group finance director of FENNER. He was finance director for two divisions of Coloroll.

■ Mr John W.W. Wickham has been appointed chief operating officer of the WESCOL group of marine services companies, based in London. He was president of Wescol's US operations.

■ SCOTT PICKFORD INDEVA has appointed Mr Geoff Davies as managing director with responsibility for oil and gas field and acreage valuations. He was previously technical director of Thomson North Sea. Mr Bill Pickford also joins the board.

■ Mr John Beasley, chief executive of Medicopharma UK, has been appointed to the board of NUMARK MANAGEMENT.

■ NORWICH UNION has appointed Mr David Cavers as business director for group subsidiary Norwich Union Healthcare. He was chief commercial executive of Private Patients Plan.

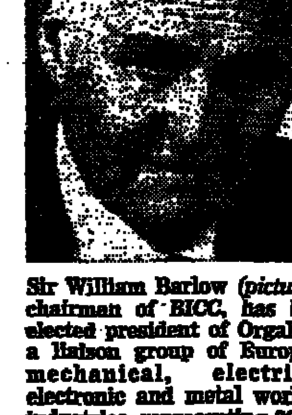
■ IRON TRADE INSURANCE CO has appointed Mr Bryan Jepp as deputy general manager, commercial insurance division, from November 1. He was assistant general manager claims.

■ PANNELL KERR FORSTER has appointed Mr Stan Patey as director in the mergers and acquisitions unit, corporate advisory services. He was in a similar post with Coopers Lybrand and Deloitte.

■ Mr David Lewis has been appointed a non-executive chairman of THE GUIDEHOUSE GROUP. He was a non-executive director whose alternate was Mr Neil Davis who now becomes a non-executive director. Mr Lewis is executive chairman of Molyneux Estates, of which Mr Davis is joint managing director.

■ SINTROM has appointed Mr Nigel Griffith as deputy managing director of its networking subsidiary Micro Technology where he was sales director.

■ Mr Douglas Bennett has been appointed general manager of GEC FERRANTI logistic systems division.



Sir William Barlow (pictured), chairman of BICC, has been elected president of Orgalime, a liaison group of European mechanical, electrical, electronic and metal working industries, representing 30,000 European companies in 23 member federations. Orgalime = Organisme de Liaison des Industries Metalliques Européennes.

■ COUNTY NATWEST has appointed Mr Alan Hinkley as a director in the UK team in investment banking services. He was executive director, investment banking division, Shearson Lehman Hutton.

■ Mr Mike Griffiths has replaced Mr Roger Saunderson as the INTERVENTION BOARD's livestock products divisional director. The board is responsible for the operation of the EC Common Agricultural Policy in the UK, and deals with the internal market support measures. The division buys butter, skimmed milk powder and beef.

■ Mr Ben Morris has joined the board of JULIAN HODGE BANK, Cardiff. He was Cardiff area director, Lloyds Bank.

■ NATIONAL WESTMINSTER BANK has appointed Mr Roger Byatt as general manager, corporate and institutional finance with worldwide responsibility. He was general manager, corporate banking.

■ Mr John Bryant has been appointed chief executive of CHRISTOPHER WRAY LIGHTING. He was with Online Lighting.

■ Mr Graham Rose has become manager of THE ROYAL BANK OF SCOTLAND's franchise and licensing operation, Edinburgh.

■ SIGNWISE (SCOTLAND) has appointed Mr Bob Colquhoun as non-executive chairman. He was with House of Fraser.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99⅞	96⅜	Treas. 10pcCv 1990	99⅞xd	.....	10.04	14.89
99¼	93⅞	Exch 2½pc 1990	99¼	+⅛	2.52	9.06
99⅞	97⅛	Treas 11¾pc 1991	99⅞	+⅛	11.82	13.20
97⅞	92⅞	Funding 5¾pc '87-91‡‡	97⅞	+⅛	5.92	11.16
96	89¼	Treas. 3pc 1991	96xd	+⅛	3.13	9.98
98	94⅜	Treas 10pc Cv '91 ‡‡	98	+⅛	10.20	12.43
99¼	94⅜	Exch. 11pc 1991	99⅛xd	+1⅛	11.11	12.13
95⅜	90⅞	Treas. 8pc 1992	95⅜	+⅛	8.34	11.82
101⅞	97⅜	Treas 12¼pc 1992‡‡	101⅞	+⅛	12.58	11.70
98¼	92¼	Treas 10pc 1992	97⅞	+⅛	10.22	11.80
95⅛	89¼	Treas. 8pc 1992 ‡‡	95⅛xd	+⅛	8.41	11.70
98¼	93⅛	Treas 10½pc Cv 1992‡‡	98⅛xd	+¼	10.67	11.71
89⅞	82⅜	Treas. 3pc 1992	89⅞	+⅛	3.34	9.55
101¼	95⅜	Exch. 12¼pc '92	101	+⅛	12.13	11.70
104	98⅞	Exch 13½pc 1992	103⅛	+⅛	13.07	11.59
93⅞	86¼	Treas 8¼pc 1993	93¾	+⅛	8.81	11.41
97⅞	90¾	Treas 10pc 1993‡‡	97⅛xd	+⅛	10.29	11.39
103⅛	96⅞	Treas 12½pc 1993‡‡	102⅛	+⅛	12.19	11.39
87⅞	82	Funding 6pc 1993‡‡	87⅞	+1⅛	6.82	10.65
107⅞	99¼	Treas 13¾pc 1993‡‡	106⅛	+⅛	12.95	11.22
92⅞	84¼	Treas. 8½pc 1994	92⅞	+1⅛	9.20	11.31
111⅛	102⅞	Treas 14½pc 1994‡‡	109⅞	+1⅛	13.25	11.10
107⅛	99¼	Exch 13½pc 1994	106⅛xd	+1⅛	12.67	11.26
97⅛	89⅛	Treas. 10pc Ln. 1994‡‡	96⅞	+1¼	10.34	11.16
104⅞	96⅞	Exch. 12¼pc 1994	103⅞	+1⅛	12.03	11.24
93⅞	85	Treas 9pc 1994‡‡	93	+1⅛	9.68	11.23
103⅞	94⅞	Treas 12pc 1995	102⅞	+1⅛	11.67	11.20
81	73	Exch 3pc Gas 90-95	79½xd	+¼	3.78	8.63
97⅛	88⅛	Exch. 10¼pc 1995	96⅞	+1⅛	10.60	11.19

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
108	97⅛	Treas 12¾pc 1995‡‡	106⅛	+1⅛	12.01	11.12
112⅞	101¼	Treas. 14pc '96	109⅞	+1⅛	12.77	11.47
92⅞	82⅛	Treas. 9pc 1992-96‡‡	91⅞	+1⅛	9.84	11.10
119⅞	107⅞	Treas 15¼pc 1996‡‡	115⅞xd	+1¼	13.21	11.34
110⅜	99¼	Exch 13¼pc 1996‡‡	107⅞	+1⅛	12.32	[illegible]
[illegible]						

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]						

Undated

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]						

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock (b)	Price £	+ or –	Yield (1)	Yield (2)
124⅞	110¼	Tr. 2pc '92‡‡(97.8)	123⅞	-1⅛	2.32	4.08
115	103¼	Do. 2 '94(102.9)	113⅞	-1⅛	3.14	3.85
166	150½	Do. 2pc '96(67.9)	164⅞	-1⅛	3.51	3.95
134⅞	123⅞	Do 2½pc '01(78.3)	132⅞	-1¼	4.15	4.42
130½	119⅞	Do. 2½pc '03(78.8)	129¼	-1⅛	4.19	4.43
132⅞	122	Do. 2pc '06(69.5)	130⅞	-2	4.21	4.40
123⅞	113⅞	Do. 2½pc '09(78.8)	120⅞	-1⅛	4.20	4.38
128⅞	117⅞	Do. 2½pc '11(74.6)	124⅞	-1⅛	4.20	4.37
107⅛	97⅞	Do. 2½pc '13(89.2)	103⅛	-1⅛	4.16	4.31
115⅛	105⅞	Do. 2½pc '16(81.6)	111¼	-1½	4.10	4.25
113⅛	102¼	Do. 2½pc '20(83.0)	107⅛xd	-1⅛	4.06	4.19
95⅛	86⅛	Do. 2½pc '24‡‡(97.7)	90¼	-1⅛	3.99	4.11

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1990: 119.5 and for August 1990: 128.1.

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100⅝	84⅞	African Dv Bk 11¼Ln 2010	93⅞	+1⅛	11.92	12.00
98¼	80⅞	Asian Dev Bk 10¼pcLn2009	88⅞	+1⅛	11.53	11.73
110⅛	80⅞	Int-Am Dev Bk 12½pc 2003	102⅞	+1⅛	12.25	12.15
91⅛	76⅞	Do. 9¼pcLn 2015	84⅞	+1⅛	11.59	11.73
110	55	Utd. Mexican States 16½pc 2008	104	.....	15.14	14.90

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
104	86½	Birmingham 11½pc 2012	92½	.....	12.43	12.52
91½	84½	GLC 6¼pc 1990-92	91½xd	.....	7.38	11.58
107⅞	95	Leeds 13½pc 2006	104⅛	.....	12.92	12.88
93	20	Liverpool 3½pc Irred	28	.....	12.50	-
35	24	LCC 3pc '20 Aft	26	.....	11.54	-
94½	85½	Manchester 11½pc 2007	91½	-1	12.57	12.75

COMMONWEALTH & AFRICAN LOANS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]						

LOANS

Building Societies

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]						

Public Board and Ind.

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]						

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or –	Div %	Red. Yield
[illegible]						

AMERICANS

1990 High	1990 Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]							

AMERICANS—Contd

1990 High	1990 Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
21¾	5⅛	Chase Manhattan $12½	6xd		$1.20	-	10.7
19¼	754p	Chem. Banking Corpn.	794p	+3	$2.72	-	18.3
12½	5⅛	Chrysler $6¼	5⅛xd	.....	$1.20	-	11.7
18¼	7¼	Citicorp $1	7¼xd	+⅛	$1.78	-	13.1
40⅞	30½	Colgate-Palmolive $1	32xd	-1½	$1.80	-	3.0
12¼	393p	Cont'l Bank Corp $4	498p	-6	$1.00	-	10.7
268p	55p	Corporate Data Scnce	80p	.....	-		-
22¼	11⅞	Dana Corp. $1	11⅞	-⅛	$1.60	-	7.2
768p	239p	Data General	239p	-9			-
29⅞	20⅞	Dun & Bradstreet $1	21¼	-⅛	$2.12	-	5.3
37⅛	21⅛	Eaton Corpn. 50c	21⅛	-1⅛	$2.20	-	5.4
10⅛	5⅛	Echlin Inc	5⅛xd	-⅛	70c	-	7.0
22⅛	13⅞	FPL Group 1c	14¼	-⅛	$2.36	-	8.5
29⅛	16⅛	Fluor Corp 62½pc	17⅛xd	-⅛	24c	-	0.7
30¾	16⅛	Ford Motor $1	16⅞	+⅛	$3.00	-	9.6
41⅞	27¼	Gen. Elect. 63c	27⅛xd	-⅛	$1.88	-	3.7
441p	241p	General Host Corp $1	241p	-7	32c	-	7.1
35⅞	25¼	Gillette $1	27⅛	-1⅛	$1.08	-	2.1
315p	46p	Gt American Bank Bk $1	48p	+2	20c	-	22.3
20⅛	11⅞	Greyhound Dial $1½	11⅞xd	-⅛	$1.32	-	5.9
12⅛	640p	Hasbro Inc 50c	641p	-7	20c	-	1.5
60¼	39⅞	Honeywell $1½	39¼	-1⅞	$2.75	-	3.7
21⅞	16	Houston Inds	16¼	-⅛	$2.96	-	9.4
74	49⅞	IBM Corpn $1¼	54⅛xd	-1¼	$4.84	-	4.8
50p	18p	Image Storage/R.Sys.1c	18p	.....			-
35½	16¼	Ingersoll-Rand $2	16⅛xd	-⅛	$1.32	-	4.2
25½	13¼	Lockheed Crpn. $1	14xd	+⅛	$1.80	-	6.9
11⅛	7⅛	Lone Star Inds $1	7⅛xd	.....	$1.90	-	13.6
28⅛	23⅛	Louisiana Land 15c	25⅛	-1	$1.00	-	2.1
29	10¼	Lowe's 50c	10⅞	-⅛	52c	-	2.6
22⅞	10¼	Manuf. Hanover $1	11⅛xd	-⅛	$3.28	-	15.1
16¼	9⅛	Merrill Lynch $1	9⅛	-⅛	$1.00	-	5.9
14⅛	8⅞	Molex Inc	10⅛	-⅛	4c	-	0.2
27⅞	16⅞	Morgan (JP) $2½	17⅛xd	+⅛	$1.82	-	5.5
30½	21⅞	Morris (Philip)	23⅞	-⅛	$1.72	-	3.8
56⅞	34⅞	NYNEX $1	36⅛	-1	$4.56	-	6.6
19p	5p	N'wide Legal Serv.	5p	.....			-
21⅞	10½	PHH Corp.	10⅛	-½	$1.20	-	6.1
195p	80p	Pacific Agr.	80p				-
31⅞	19	Pacific Telesis 10c	21⅞	-⅛	$2.02	-	5.0
22⅛	13⅛	Pall Corp. 25c	14⅛	-⅛	56c	-	2.1
55⅛	37⅞	Pennzoil $3 1/3c	37⅞	-1⅛	$3.00	-	4.2
35⅞	21⅛	Quaker Oats $5	23⅛xd	-1⅛	$1.56	-	3.6
32⅛	20	Rep NY Corpn $5	20⅛xd	-⅛	$1.32	-	3.5
16⅛	10⅞	Rockwell Intl. $1	12⅞xd	-⅛	78c	-	3.3
25⅞	12⅞	Sears, Roebuck 75c	12⅞	-⅛	$2.00	-	8.3
40⅛	24⅛	Southwestern Bell $1	26⅛xd	-1⅛	$2.76	-	5.5
25⅛	15⅛	Sun Co. Inc. $1	15⅛	-⅛	$1.80	-	6.3
31⅛	15⅛	TRW Inc. 62½c	19⅛xd	-⅛	$1.72	-	4.8
42⅞	23	Tenneco $5	23xd	-⅛	$3.04	-	7.1
37⅛	30⅛	Texaco $6.25	30⅛xd	-1⅛	$3.00	-	5.3
25⅞	13⅛	Texas Instr. $1	13⅛xd	-⅛	72c	-	2.9
81⅛	36⅞	Time Warner $1	37⅛xd	-1⅛	$1.00	-	1.4
[illegible]							

CANADIANS

For AMB Gold see North West Gold

1990 High	1990 Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]							

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but *including estimated extent of offsettable ACT. Yields are based on* middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ∥ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs ■ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1... γ	780	......
Finlay Pkg. 5p.... γ	43xd	-2½
Holt (Jos) 25p.... γ	1305xd	+15

IRISH

Cap. 8½% Ln. 1991...	£90	......
9pc Cap Ln. 1996..	£93½	......
Fin. 13% 97/02...	£118	......
Arnotts............	180	......
Carrol (P.J.)...... α	148	......
Hall (R. & H.)......	165	......
Helton Hldgs...... γ	47	+4
IRG............	150	......
United Drug........	136	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	45
BOC Grp.	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons.	37
Comm Union	37
Courtaulds	25
Eurotunnel	55
FKI	5½
FNFC	20
Gen Accident	46½
GEC	14
Glaxo	57
Grand Met	44
Guardian	35
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen.	29½
Lex Service	28
Lloyds Bank	27
Lucas Inds	11
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Polly Peck	40
Racal Elect	14
RHM	25
Rank Org Ord	49
Reed Intnl	38
STC	19½
Sears	8½
Smkl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	58
Vickers	19
Wellcome	38

Property

Brit Land	24
Control Secs	4
Land Securities	42
MEPC	38
Mountleigh	11

Oils

Aviva Petim	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petim	20
Gaelic Res	2
Premier	8½
Shell	40
Tuskar Res	6
Ultramar	31

Mines

Lonrho	21
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	38.48	38.48	41.15	-1.76	6.66
Gilts & Fixed Int	6	107.0	107.0xd	113.5	+3.2	10.13
High Inc Equity	6	121.0	121.0xd	129.4	+8.4	4.91
Worldwide Bond	6	185.0	185.0	196.1	-1.8	7.65
Capital Growth						
American Growth	6	142.8	142.8	152.7	-6.4	1.26
Asian Pacific	6	93.52	93.52	99.97	-1.43	0.12
Assets & Earnings	6	146.3	146.3	156.4	+8.6	3.00
Capital Reserve Acc	0	98.20	98.20	98.25	+1.71	7.27
Capital Reserve Inc	0	82.54	82.54	82.58	+1.44	7.27
Comdty & Energy	6	79.33	79.33	84.84	-2.17	1.20
1992 Enterprise	6	55.47	56.47	59.32	+1.52	3.29
Euro Capital Acc	6	79.83	79.83	85.37	-2.73	1.16
Euro Capital Inc	6	76.65	76.65	81.97	-2.62	1.16
General	6	158.0	158.0	168.9	+9.4	2.96
Japan	6	82.45	82.45xd	88.18	+0.24	0.00
Mastertrust	6	75.02	75.02	80.23	+0.40	2.11
UK Growth Acc	6	147.0	147.0xd	157.2	+5.5	2.59
UK Growth Dist	6	95.04	95.04xd	101.6	+3.5	2.62
US Emerging Cos	6	39.08	39.08xd	41.79	-1.67	0.00
Income & Growth	6	274.5	274.5	293.5	+21.6	3.49
Ethical	6	42.18	42.18	45.11	+1.97	2.22
International	6	50.66	51.45	54.71	-0.18	0.91
Dividend & Growth	6	42.65	43.74	46.53	+1.47	4.84
Global Gwth & Sec	6	46.41	46.66	49.63	+0.35	2.01
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	24.74	24.74xd	26.30	-0.88	3.00
European	5¼	66.18	66.18	70.34	-1.85	0.00
European Income	5¼	69.42	69.42xd	73.64	-1.75	1.68

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Brown Shipley & Co Ltd — Contd.						
Orient ♣	6	89.37	89.37	95.18	-0.48	–
Recovery	6	36.97	36.97	39.57	+1.73	1.57
Smaller Cos Acc	6	190.2	190.2xd	204.5	+6.80	–
Smaller Cos Inc	6	116.5	116.5xd	125.2	+4.20	2.87
Brycourt Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382						
Income Growth	1	157.0	157.0xd	163.0	–	6.87
Buckmaster Mangmt Co Ltd (1200)H						
15 St Botolph Street, London EC3A 7JJ 071-247 4542						
Emerging Gwth	5¼	48.94	48.94	51.88	+2.67	4.70
(Accum Units)	5¼	51.37	51.37	54.41	+2.76	4.70
Fellowship Tst ♥	5¼	50.39	51.11xd	54.38	+1.3	4.01
(Accum Units) ♥	5¼	53.52	54.29xd	57.76	+1.38	4.01
General Inc	5¼	250.0	250.0	265.0	+16.5	4.37
(Accum Units)	5¼	435.2	435.2	461.3	+28.6	4.37
Income	5¼	144.0	145.8	155.1	+13.5	5.05
(Accum Units)	5¼	292.4	295.9	314.8	+27.3	5.05
International ♥	5¼	80.80	80.80	85.65	-0.52	0.00
(Accum Units) ♥	5¼	111.6	111.6	118.3	-0.7	0.00
Smaller Co's	5¼	85.67	87.06	92.62	+4.45	2.90
(Accum Units)	5¼	95.99	97.57	103.8	+5.0	2.90
Inv Portfolio ♥	3	45.74	45.74	47.34	+2.32	4.10
(Accum Units) ♥	3	48.61	48.61	50.31	+2.46	4.10
High Income Port ♥	3	41.54	42.39xd	43.93	+2.57	5.51
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 071-480 7216						
Short Dated Gilt	1½	59.21	59.21	60.87	+0.51	2.78
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 071-407 5966						
CCF Sel High Inc Eqty	5½	43.22	43.22	46.88	+0.84	6.15
CCF Sel Bal Inc Eq Acc	5½	44.20	44.20	47.93	+0.91	6.15
CCF Sel Intl Gwth	5½	37.46	37.46	40.56	+0.18	0.00
CCF Sel Inv Tst	5½	42.76	42.76xd	47.04	+0.22	2.61
CCF Sel Inv Tst Acc	5½	43.32	43.32xd	47.70	+0.22	2.61
CCF Sel UK Sm Co's	5½	42.08	42.08	46.04	+0.98	2.31
CCF Sel UK Sm Co Acc	5½	42.40	42.40	46.38	+0.98	2.31
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 081-740 7070						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East (Pacific) ♦	5¼	78.62	78.62	83.46	-1.87	0.51
Income & Growth	5¼	54.18	54.38	57.94	+1.60	5.94
European (z)	5¼	48.54	48.54	51.52	-1.21	1.14
Nth American (z)	5¼	28.33	28.33	30.07	-1.18	1.74
Intl Growth (9-1)	5¼	49.41	50.31xd	53.40	-1.28	0.94
UK Growth	5¼	46.64	47.04	49.93	+1.15	3.47
Intl Income	5¼	42.09	42.09xd	44.68	-0.19	6.74
High Yield	5¼	42.14	42.14xd	44.73	+2.57	7.78
Charities	5¼	81.65	82.87	87.97	+5.85	6.95
Japan	5¼	33.49	33.49	35.55	+0.50	0.00
Matheson Unit Trust Managers Ltd (1200)H						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
SE Asia	6	38.86	38.86	41.56	-0.75	2.74
UK Growth (4-1)	6	63.15	64.73xd	69.23	+3.32	3.57
UK High Income	6	31.49	31.49xd	33.68	+2.27	6.00
Mayflower Management Co Ltd (1200)F						
PO Box 249, Beckenham, Kent BR3 4WA 081-663 3111						
Income	5	311.9	311.9	331.8	+25.1	6.54
Global Inc	5	41.79	41.79	44.45	+0.29	8.53
Brit Landers	5	246.5	246.5	262.2	+18.4	4.29
Intl Landers	5	123.0	123.0	130.8	-0.4	3.25
Medical Investments Ltd (1100)F						
1 White Hart Yard, London SE1 1NX 071-407 5966						
Health Fund	5¼	47.63	47.63	52.01	+0.24	.32
Mercury Fund Managers Ltd (1000)H						
33 King William St, EC4R 9AS 071-280 2860						
American Growth	5	105.3	105.3	112.4	-4.90	0.59
(Accum Units)	5	112.2	112.2	119.7	-5.30	0.59
American Income	5	29.88	29.88xd	31.84	-1.39	9.46
(Accum Units)	5	39.89	39.89xd	42.52	-1.79	9.46
American Sm Cos	5	39.72	39.72	42.37	-2.35	0.00
(Accum Units)	5	40.26	40.26	42.95	-2.38	0.00
British Blue Chip	5	53.67	53.78xd	57.37	+4.26	3.10
(Accum Units)	5	59.13	59.25xd	63.21	+4.69	3.10
Cash *	0	100.7	100.8xd	100.8	+0.10	14.98
(Accum Units) *	0	106.0	106.2xd	106.2	+0.10	14.98
European Growth	5	146.0	146.0	155.2	-6.30	0.68
(Accum Units)	5	154.9	154.9	164.8	-6.70	0.68
European Income	5	62.98	62.98	66.90	-2.98	4.84
(Accum Units)	5	73.45	73.45	78.03	-3.49	4.84
General	5	333.8	336.4xd	358.9	+26.9	2.77
(Accum Units)	5	593.5	598.4xd	638.2	+47.9	2.77
Gilt	5	81.90	81.90	86.10	+2.81	9.30
(Accum Units)	5	121.9	121.9	128.2	+3.00	9.30
High Income	5	46.39	46.61	49.72	+3.32	6.35
(Accum Units)	5	53.77	54.04	57.64	+3.85	6.35
High Interest	5	41.99	41.99xd	43.60	+0.48	11.08
(Accum Units)	5	53.76	53.76xd	56.63	+0.62	11.08

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
NM Unit Trust Mngrs (1200)H						
The Hilton Centre, North Harbour, Portsmouth						
Enquiries: 0705 372222 Dealing: 0705 387730						
American ♥	5¼	25.29	25.29	26.97	(z)	1.89
(Accum Units) ♥	5¼	26.77	26.77	28.55	(z)	1.89
Australian ♥	5¼	149.90	150.80xd	161.70	(z)	2.21
(Accum Units) ♥	5¼	170.60	171.70	184.20	(z)	2.21
Conscience	5¼	40.46	41.29	44.06	(z)	1.77
(Accum Units)	5¼	41.95	42.81	45.68	(z)	1.77
European	5¼	126.40	127.30	135.90	(z)	1.15
(Accum Units)	5¼	133.90	135.00	144.00	(z)	1.15
Extra Income	5¼	54.34	54.34xd	57.99	(z)	10.54
(Accum Units)	5¼	71.75	71.75	76.57	(z)	10.54
Far East Gth Acc ♥	5¼	102.60	102.60	109.60	(z)	0.28
Gilt & F.I.	5¼	47.40	47.40xd	50.18	(z)	9.98
(Accum Units)	5¼	96.35	96.35	102.00	(z)	9.98
Gold ♥	5¼	32.67	33.01	35.49	(z)	0.00
(Accum Units) ♥	5¼	35.39	35.72	38.40	(z)	0.00
Income	5¼	40.35	40.35	43.04	(z)	8.42
(Accum Units)	5¼	106.60	106.60	113.7	(z)	8.42
Intnl.	5¼	21.33	21.33	22.88	(z)	0.48
(Accum Units)	5¼	30.14	30.14	32.35	(z)	0.48
Jap Smaller Cos ♥	5¼	293.40	293.40	312.90	(z)	0.00
Sing & Malaysian ♥	5¼	87.71	87.71	94.05	(z)	0.00
(Accum Units) ♥	5¼	91.40	91.40	98.01	(z)	0.00
Smaller Co's	5¼	25.58	25.58	27.30	(z)	1.60
(Accum Units)	5¼	28.32	28.32	30.45	(z)	1.60
Special Sits	5¼	21.97	21.97	23.62	(z)	1.10
(Accum Units)	5¼	23.93	23.93	25.73	(z)	1.10
Tokyo ♥	5¼	63.38	63.38	67.60	(z)	0.00
(Accum Units) ♥	5¼	64.02	64.02	68.28	(z)	0.00
UK Equity	5¼	113.10	113.10xd	120.60	(z)	5.07
(Accum Units)	5¼	195.10	195.10	208.10	(z)	5.07
US Smaller Cos ♥	5¼	40.47	40.47	43.28	(z)	0.00
National Provident Inv Mngrs Ltd (1400)H						
48 Gracechurch St, EC3P 3HH 071-623 4200						
NPI American Acc ♥	5	58.20	58.26	61.98	(z)	1.80
NPI American Dist ♥	5	54.76	54.81	58.31	(z)	1.80
NPI European Acc	5	63.44	63.56	67.60	(z)	0.89
NPI European Dist	5	62.46	62.60	66.60	(z)	0.89
NPI Far East Acc ♥	5	92.66	93.20	99.15	(z)	0.43
NPI Far East Dist ♥	5	92.00	92.53	98.44	(z)	0.43
NPI O'seas Acc	5	754.1	757.5	805.9	(z)	1.52
NPI O'seas Dist	5	590.4	593.1xd	631.0	(z)	1.52
NPI UK Acc	5	421.3	425.7	452.9	(z)	5.16
NPI UK Dist	5	235.0	240.5	255.3	(z)	5.16
NPI W'wide Acc	5	61.77	62.48	66.47	(z)	0.47
NPI W'wide Dist	5	59.41	60.09xd	63.93	(z)	0.47

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Newton Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 071-407 4404						
Newton Income	6	126.9	129.5xd	137.8	+4.0	7.33
Newton Global	6	186.0	189.7xd	201.8	-2.5	3.95
Newton General	6	90.76	93.25	99.20	+6.15	4.67
Norwich Union Tst Managers (1200)H						
PO Box 124, 51/59 Rose Lane, Norwich 0603 682236						
Master Trust	6	78.00	78.80xd	83.81	+1.26	3.99
UK Equity†	6	92.11	93.63xd	99.60	+7.14	4.21
UK Equity Income	6	93.54	95.21	101.29	+7.89	5.32
UK Smaller Co's	6	72.46	75.59	80.41	+2.58	4.79
Schroder Unit Trusts Ltd — Contd.						
Australian	5¼	102.4	105.6	112.3	-8.90	1.70
(Accum Units) ♦	5¼	117.2	121.6	129.3	-1.10	1.70
Enterprise	5¼	121.5	123.3	131.1	+8.20	4.30
(Accum Units)	5¼	129.4	131.3	139.6	+8.70	4.30
European Gwth	5¼	46.87	47.19	50.20	-0.28	1.66
(Accum Units)	5¼	47.02	47.33	50.35	-0.27	1.66
Euro Smllr Cos	5¼	44.80	45.17	48.05	-0.59	0.48
(Accum Units)	5¼	44.95	45.33	48.22	+0.59	0.48
Far Eastern Gwth ♦	5¼	38.27	38.93	41.41	-0.19	0.00
(Accum Units) ♦	5¼	38.27	38.93	41.41	-0.19	0.00
Fixed Interest	5¼	44.61	44.61xd	46.93	+0.97	10.26
(Accum Units)	5¼	47.34	47.34	49.87	+1.03	10.26

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071–379–0444.

FT MANAGED FUNDS SERVICE

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Target Trust Mngrs Ltd (1600)F
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 0296 392156

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	56.56	56.56	60.42	-1.48	2.27
Australia	5	5.777	5.777	6.186	-0.12	4.31
Equity	5	145.7	145.7	156.3	+0.4	4.92
Euro Spec Sits	5	95.22	95.22	102.4	-1.3	0.47
Financial	5	25.72	25.72xd	27.66	+1.83	3.13
Global Opps Inc	5	57.69	57.69	62.30	+0.96	0.00
Global Opps Acc	5	58.12	58.12	62.57	+0.96	0.00
Gold & Gen Inc	5	38.76	38.76	41.45	-1.81	2.96
Gold & Gen Acc	5	72.25	72.25	77.50	-1.88	2.96
Income	5	90.57	90.57xd	97.49	+6.79	8.34
Japan & General	5	106.9	106.9	115.1	+2.0	0.00
Preference Share	5	17.60	17.60xd	18.91	+0.68	14.85
UK Capital	5	79.45	79.45	85.30	+4.99	4.09
World Income	5	53.85	53.85xd	57.90	+1.85	6.10
Worldwide Capital	5	149.1	149.1	160.4	+6.1	3.41

Templeton Unit Trust Managers Ltd (1200)F
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Growth Acc	6	91.52	92.29	98.71	-2.12	3.68
Global Growth Inc	6	87.93	88.67	94.84	-2.23	3.68
Global Balanced Acc	6	92.89	93.36	99.82	-1.56	4.77
Global Balanced Inc	6	86.54	86.97	93.02	-1.25	4.77
Value Tst Acc	6½	71.86	72.09	77.10	-2.97	4.23
Value Tst Inc	6½	69.28	70.29	75.18	-2.90	4.23
Intl Pen & Ch'ty Inc ♥	2	90.82	92.24	96.84	—	3.81
Intl Pen & Ch'ties Acc ♥	2	87.63	89.01	93.45	—	3.81

Thornhill Unit Trust Managers Ltd (1200)F
28 St John's Sq, London EC1M 4AE 071-251 6767

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Capital	5	45.34	45.63	48.54	—	–
Overseas	5	39.38	39.56	42.08	—	–

Thornton Unit Managers Ltd (1600)F
33 Cavendish Sq, London W1M 0DH 071-493 7262
Dealing 071-493 8545

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Opps	5	39.89	39.89	42.54	-2.11	0.26
(Accum Units)	5	41.05	42.05	43.78	-2.07	0.26
Cash	0	50.52	50.52	50.52	+0.01	13.73
Accum Units	0	50.52	50.52	50.52	+0.01	13.73
European Opps ‡	5	56.43	56.43	60.18	-1.68	0.00
(Accum Units) ‡	5	56.74	56.74	60.51	-1.69	0.00

Murray Johnstone UT Mngmt.
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Exmt Oct 3	39.0	40.5	—	2.64
Euro Exmt Oct 3	46.5	48.8	—	2.72
Fixed Int Ex Oct 3	42.7	45.9	—	11.50
Japan Exmt Oct 3	38.6	38.6	—	0.88
Managed Ex Oct 4	36.4	37.8	—	5.50
SE Asia Exmt Oct 3	55.2	57.9xd	—	3.64
Sm Cos Exmt Oct 3	29.8	31.2	—	5.31
UK Eqty Ex Oct 3	35.3	37.0xd	—	4.40

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Oct 3	587.9	630.4	—	5.55
Do Accum	653.7	701.2	—	5.55
Int. Exmt Oct 3	146.6	148.8xd	—	3.16
UK Index Oct 3	955.0	975.6	—	5.25
Do Accum	1009	1029	—	5.25
Convertible Oct 5	76.01	78.53	+0.45	9.75
World ex UK Index Oct 1	611.1	619.2	—	2.67
Do Accum	611.1	619.2	—	2.67
Japan Index Oct 1	445.1	451.5	—	0.8
Do Accum	445.9	452.3	—	0.8
USA Index Oct 1	752.7	757.8	—	3.7
Do Accum	763.5	768.4	—	3.7
European UK Index Oct 1	774.5	793.4	—	3.2
Do Accum	786.5	805.6	—	3.2
Pacific ex Jap Index Oct 1	756.2	779.0	—	5.6
Do Accum	770.2	793.6	—	5.6
Managed Exempt Oct 3	86.83	88.38xd	—	5.31
American Exempt D	100.1	101.9	—	3.7
European Exempt D	102.6	104.0	—	3.1
Japan Exempt D	102.6	105.6	—	0.6
Pacific Basin D	100.8	103.6	—	3.8

NM Rothschild Asset Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
NC Managed	53.4	56.9xd	+2.9	4.44
NC Property	174.3	191.2	—	–

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt Accum	117.6	118.6	—	4.29

Stewart Ivory & Co Ltd

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Prosperity Life Assurance Ltd

Providence Capital Life Ass. Co Ltd

Providence Capital Life Assc. Co Ltd – Contd.

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd – Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group–Contd.

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Finance International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

NM Life Assurance Int Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

Templeton Life Assurance Limited

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plan.) Ltd

The Analysis Group PLC

Apollo Watts & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Son Financial Services

Chase de Vere PLC

Clifton Financial Mgmnt Ltd

Drummond Moores Plc

Edinburgh Money Management Ltd

Fairmount Gee Roija Ltd

Gartmore Fund Managers Ltd

Handelsbanker Financial Services

I.P.S. Lamont plc

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

March Financial Management PLC

Matthew Hope & Partners

Money & Scott F.S. Ltd

PEP Fund Management Ltd

Pendleton May Financial Services Ltd

Petley & Co PLC

Premier Life International Ltd

Sharp (Albert E) & Co.

Sitala Fund Managers Limited

South Yorks Investment Management

Tattersall Investment Mgmt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

CANADA (SIB RECOGNISED)

Ivory & Sime Pensions Inc

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mngt (Guernsey) Ltd

BBV-Nordinas Asset Mngmt (Guernsey) Ltd

Cigna International Fund Mngrs (CI) Ltd

Credit Suisse Fund Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Henderson Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bid Price	Offer Price	+ or -	Yield Gross
[illegible]	[illegible]	[illegible]	[illegible]

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JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling firm but below best

A VOLATILE day's trading left sterling higher overall, but below its opening levels. There was no evidence yesterday that the pound will have early problems remaining within its allowed 6 per cent band in the exchange rate mechanism of the European Monetary System.

According to rates supplied by the European Commission, taken a little before the close of trading in London, sterling was below the Spanish peseta in the ERM and less than 3 per cent above its central cross rate against the weakest placed Italian lira.

Dealers suggested that some speculative long positions were closed out by the pound's failure to consolidate its early gains, but there is probably scope for improvement, at least until sterling reaches a level where further interest rate cuts look likely.

Profit-taking brought it back from the high levels touched when the currency first began trading as a full ERM member yesterday morning. News of the biggest rise in UK input producer prices since 1976 caused some concern, but had little impact on sterling.

The pound opened at around DM3.05, but then fell back steadily, hitting DM3.0450 by mid-morning and DM3.0375 by noon. During the afternoon it touched a low of DM3.0125, before rallying to close at DM3.08, compared with DM3.0125 on Friday.

Against the dollar sterling touched a peak of $1.9650, but had eased to $1.9775 by noon and to a low of $1.9650. It finished 2.60 cents higher on the day at $1.9740. The pound also advanced to FFr10.1425 from FFr10.0950; to SFr2.5350 from SFr2.5100; and to Y258.00 from Y257.75. Sterling's index closed 2.4 higher at 96.5.

Mr John Major, the UK chancellor, spoke enthusiasticly about the pound's entry into the ERM when he arrived at a meeting of EC finance ministers in Luxembourg, but not all comments there were so positive. Mr Horst Koehler, state secretary to the German Finance Ministry, arriving at the same meeting, warned of possible difficulties if the pound hits its maximum ERM level, saying it could cause problems for some countries who would have preferred a higher entry rate for the pound. He also expressed surprise that Britain had decided to join the ERM under the present economic conditions.

Trading in other currencies was overshadowed by sterling's entry into the ERM and by the partial closure of financial markets in New York for Columbus Day.

The dollar fell to Y129.85 in Tokyo, the lowest level since March 15, 1989. It was depressed by difficulties in passing the US Budget, but improved a little to close in London at Y130.65 against Y132.30 previously. The dollar also fell to DM1.5345 from DM1.5470; to SFr1.2840 from SFr1.2880; and to FFr5.1375 from SFr5.1825. Its index declined to 61.0 from 61.7.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct 8	% change from central rate	% spread vs weakest narrow band currency	Divergence indicator
Spanish Peseta	133.631	129.958	−2.75	3.57	48
Sterling	0.696904	0.681891	−2.15	2.94	42
Belgian Franc	42.4032	42.5076	0.25	0.48	−5
French Franc	6.89509	6.92168	0.39	0.34	−13
Irish Punt	0.767417	0.770524	0.40	0.32	−11
German D-Mark	2.05586	2.06694	0.54	0.18	−25
Danish Krone	7.84195	7.88643	0.57	0.16	−19
Dutch Guilder	2.31643	2.33049	0.61	0.12	−22
Italian Lira	1538.24	1549.39	0.72	0.00	−38

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct.8	Latest	Previous Close
£ Spot	1.9705-1.9715	1.9520-1.9530
1 month	1.01-0.99pm	0.94-0.96pm
3 months	2.62-2.58pm	2.70-2.50pm
12 months	8.50-8.30pm	9.05-8.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.8	Previous
8.30 am	97.3	93.9
9.00 am	97.1	93.9
10.00 am	97.3	93.9
11.00 am	97.0	93.9
Noon	96.9	93.9
1.00 pm	96.7	94.1
2.00 pm	95.7	94.2
3.00 pm	96.5	94.0
4.00 pm	96.5	94.1

CURRENCY MOVEMENTS

Oct.8	Bank of England Index	Morgan** Guaranty Changes %
Sterling	96.5	-18.3
U.S Dollar	61.0	-17.7
Canadian Dollar	102.5	+1.0
Austrian Schilling	109.5	+11.7
Belgian Franc	111.4	-2.2
Danish Krone	110.3	+4.9
Deutsche Mark	118.5	+24.8
Swiss Franc	115.4	+25.3
Guilder	114.2	+16.1
French Franc	105.2	-11.3
Lira	99.1	-19.7
Yen	134.9	+63.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.5.

CURRENCY RATES

Oct. 8	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.739483	0.681891
U.S Dollar	7	1.41574	1.34742
Canadian $	12.82	1.63376	1.55088
Austrian Sch	6½	15.2773	14.5494
Belgian Franc	10¼	44.7374	42.5076
Danish Krone	10½	8.29340	7.88643
Deutsche Mark	6.00	2.17288	2.06694
Neth.Guilder	7.00	2.44781	2.33049
French Franc	10¼	7.26982	6.92168
Italian Lira	12½	N/A	1549.39
Japanese Yen	6	189.214	176.242
Norway Krone	8	8.45480	7.98681
Spanish Peseta	-	136.298	129.958
Swedish Krona	11	8.03857	7.62098
Swiss Franc	6.00	1.81639	1.73345
Greek Drach	20½	N/A	206.209
Irish Punt	-	N/A	0.770524

† European Commission Calculations.
* All SDR rates are for Oct.5

OTHER CURRENCIES

Oct. 8	£	$
Argentina	10783.5 - 10865.0	5460.00 - 5500.00
Australia	2.3610 - 2.3630	1.1955 - 1.1965
Brazil	172.80 - 174.20	87.50 - 88.20
Finland	7.1600 - 7.1835	3.6190 - 3.6220
Greece	300.80 - 305.65	151.95 - 154.45
Hong Kong	15.3050 - 15.3190	7.7535 - 7.7555
Iran	128.90*	65.30*
Korea(Sth)	1396.00 - 1418.50	711.00 - 716.60
Kuwait	N/A	N/A
Luxembourg	62.30 - 62.40	31.55 - 31.65
Malaysia	5.3215 - 5.3340	2.6975 - 2.6995
Mexico	5725.50 - 5746.50	2900.00 - 2910.00
N Zealand	3.1740 - 3.1790	1.6065 - 1.6085
Saudi Ar.	7.4445 - 7.4540	3.7490 - 3.7500
Singapore	3.4165 - 3.4245	1.7355 - 1.7375
S.Af (Cm)	5.0115 - 5.0245	2.5450 - 2.5465
S.Af (Fn)	7.6475 - 7.7980	3.8760 - 3.9525
Taiwan	52.30 - 52.45	27.25 - 27.30
U.A.E.	7.2485 - 7.3030	3.6700 - 3.6735

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Oct 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9690 - 1.9825	1.9735 - 1.9745	0.96-0.86cpm	5.53	2.80-2.50pm	5.37
Canada	2.2660 - 2.2875	2.2745 - 2.2755	0.56-0.46cpm	2.69	1.27-1.12pm	2.10
Netherlands	3.39 - 3.44¼	3.41½ - 3.42½	1¾-1⅝cpm	5.92	4¾-4¼pm	5.26
Belgium	61.80 - 62.90	62.30 - 62.40	31-25cpm	5.39	75-65pm	4.49
Denmark	11.40¼ - 11.65¼	11.56¾ - 11.57¾	4½-3½orepm	4.15	12½-11pm	4.06
Ireland	1.1260 - 1.1395	1.1305 - 1.1315	0.45-0.40pm	4.51	1.10-1.00pm	3.71
Germany	3.01 - 3.05¼	3.02½ - 3.03½	1⅝-1½pfpm	5.94	4½-4¾pm	5.86
Portugal	266.55 - 269.75	266.60 - 267.60	14-5cpm	0.43	25-74dis	−0.74
Spain	189.40 - 192.20	189.70 - 190.00	6-4cpm	0.32	6-4cpm	0.11
Italy	2245½ - 2291¼	2272½ - 2273½	10½-9½lirepm	5.25	25½-23pm	4.27
Norway	11.62¾ - 11.77½	11.70½ - 11.71½	3¾-3orepm	3.46	10½-9¼pm	3.37
France	10.09 - 10.22½	10.13¾ - 10.14¾	4-3¾cpm	4.58	10-9½pm	3.85
Sweden	11.07 - 11.22	11.15¾ - 11.16¾	2-1½orepm	1.88	5½-4¼pm	1.75
Japan	257 - 259¼	257½ - 258½	1½-1¾ypm	6.69	4¼-4pm	6.30
Austria	21.20 - 21.50	21.20 - 21.23	11¾-11gropm	6.47	30¼-28¼pm	5.50
Switzerland	2.50½ - 2.54½	2.53 - 2.54	1½-1¼cpm	6.80	4¼-4pm	6.41
ECU	1.4520 - 1.4700	1.4540 - 1.4550	0.59-0.56cpm	4.74	1.60-1.54pm	4.32

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.85-4.80cpm . 12 Month 8.50-8.20cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9690 - 1.9825	1.9735 - 1.9745	0.96-0.86cpm	5.53	2.80-2.50pm	5.37
Ireland†	1.7385 - 1.7495	1.7455 - 1.7465	0.34-0.29cpm	2.16	1.12-1.02pm	2.45
Canada	1.1500 - 1.1540	1.1510 - 1.1520	0.45-0.48cdis	−4.85	1.21-1.26dis	−4.29
Netherlands	1.7270 - 1.7370	1.7315 - 1.7325	0.02-0.05cdis	−0.24	0.16-0.21dis	−0.43
Belgium	31.50 - 31.85	31.55 - 31.65	1.00-3.00cdis	−0.76	4.00-8.00dis	−0.76
Denmark	5.84¾ - 5.87¼	5.86 - 5.86½	0.90-1.25oredis	−2.20	3.05-3.55dis	−2.25
Germany	1.5310 - 1.5440	1.5340 - 1.5350	0.01-0.03pfdis	−0.16	0.17-0.20dis	−0.48
Portugal	135.35 - 136.80	135.45 - 135.55	65-80cdis	−6.42	230-260dis	−7.23
Spain	96.25 - 96.85	96.40 - 96.50	48-57cdis	−6.53	138-150dis	−5.97
Italy	1148 - 1154½	1151¼ - 1151¾	1.70-2.20liredis	−2.03	5.90-6.90dis	−2.22
Norway	5.92 - 5.94	5.93 - 5.93½	1.70-2.10oredis	−3.84	4.60-5.00dis	−3.24
France	5.13 - 5.16¼	5.13½ - 5.14	0.73-0.78cdis	−1.76	2.30-2.40dis	−1.83
Sweden	5.64½ - 5.65¼	5.65¼ - 5.65¾	1.90-2.40cdis	−4.56	6.30-6.75dis	−4.62
Japan	129.75 - 130.95	130.60 - 130.70	0.06-0.04ypm	0.46	par-0.03dis	−0.05
Austria	10.78 - 10.83¼	10.79¾ - 10.80¼	0.25-0.65grodis	−0.50	1.50-2.50dis	−0.74
Switzerland	1.2825 - 1.2915	1.2835 - 1.2845	0.09-0.06cpm	0.70	0.10-0.05pm	0.23
ECU	1.3460 - 1.3530	1.3490 - 1.3500	0.21-0.20cpm	1.82	0.68-0.66pm	1.99

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int
October	1590.0	1590.0	+25.0	1607.0	1586.0	10,700
November	1593.0	1595.0	+23.0	1610.0	1593.0	255
December	1599.0	1599.0	+21.5	1599.0	1599.0	421
March	-	-	-	-	-	0

Estimated volume 9,088 Total Open Interest 11,376

MONEY MARKETS

London rates fall

WHOLESALE INTEREST rates and financial futures prices in London looked towards another cut in bank base rates yesterday as sterling became a member of the EMS exchange rate mechanism.

Speculation that the pound will rise towards the top of its ERM range encouraged the belief that base rates could be cut again this year. This produced a rush to buy short sterling futures at the opening of trading on Liffe.

UK clearing bank base lending rate 14 per cent from October 8, 1990.

The December contract virtually discounted 13 per cent base rates by the time of delivery when it opened at 87.05. The market had been taken by surprise by Friday's announcement on rate cuts and the ERM however, and to a large extent yesterday's early surge in prices reflected heavy covering of short positions. The opening level was therefore the top of the day's range and in active trading the contract fell back to touch 86.81, before closing at 86.88 against 85.92 previously.

On the cash market three-month sterling interbank fell to 13$\frac{11}{16}$-13$\frac{9}{16}$ per cent, from around 14-13¾ on Friday immediately after the announcement that rates would be cut to 14 per cent. Yesterday's market rate was approaching a level where another ½ point cut in base rates is indicated, while 12-month money declined to 13$\frac{1}{16}$-12$\frac{15}{16}$ per cent from 13$\frac{7}{16}$-13¼.

The Bank of England initially forecast a day-to-day credit shortage of £650m on the money market, but revised this to £800m at noon.

Total help of £719m was provided. Before lunch the authorities bought £394m bills outright by way of £156m bank bills in band 1 at 13¾ per cent and £238m bank bills in band 2 at 13$\frac{11}{16}$-13¾ per cent. In the afternoon discount houses were invited to use their borrowing facilities at the Bank of England's minimum lending rate of 14 per cent. A total of £325m was lent to the houses.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £769m, with the unwinding of repurchase agreements on bills absorbing £400m, and bank balances below target £145m. These outweighed a fall in the note circulation adding £540m to liquidity.

In Frankfurt call money was steady at 8.05 per cent. The Bundesbank is expected to offer liquidity through a securities repurchase agreement tender today.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.8) 3 months US dollars		6 months US Dollars	
bid 8½	offer 8⅝	bid 8	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm Oct 5)

Prime rate	10
Broker loan rate	9¼
Fed.funds	8⅛
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	6.83	Three year	7.98
Two month	7.22	Four year	8.17
Three month	7.26	Five year	8.27
Six month	7.45	Seven year	8.53
One year	7.51	10-year	8.65
Two year	7.81	30-year	8.79

Oct.5	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.00-8.10	8.15-8.25	8.20-8.35	8.45-8.60	8.60-8.75	8.00
Paris	9½-9⅝	9$\frac{13}{16}$-9$\frac{15}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	10$\frac{1}{16}$-10$\frac{3}{16}$	9.50
Zurich	6¾-7⅛	7¼-7⅜	-	7¾-8	-	-
Amsterdam	8.10-8.20	8.21-8.31	-	8.45-8.55	-	-
Tokyo	7½-7⅝	7$\frac{13}{16}$-8	-	8⅛-8⅜	-	-
Milan	9¼-10¼	10¼-10¾	-	11¼-11¾	-	-
Brussels	6.85	8¾-9	-	8$\frac{15}{16}$-9⅛	-	-
Dublin	9¾-10	10⅛-10½	10½-10⅝	10⅝-10¾	10$\frac{13}{16}$-10$\frac{15}{16}$	-

LONDON MONEY RATES

Oct 8	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14¼	14	14	13¾	13½	13¼
Interbank Bid	13½	13¾	13¾	13½	13	12¾
Sterling CDs	-	-	13$\frac{13}{16}$	13⅝	13$\frac{5}{16}$	12¾
Local Authority Deps.	13⅞	13⅞	13$\frac{15}{16}$	13⅝	13$\frac{5}{16}$	12¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14	13¾	13¾	13¼	-	-
Company Deposits	-	-	13¾	13⅝	13⅛	13
Finance House Deposits	-	-	13⅞	13⅞	13⅜	13⅛
Treasury Bills (Buy)	-	-	13⅝	13¼	-	-
Bank Bills (Buy)	-	-	13$\frac{13}{16}$	13½	12¼	-
Fine Trade Bills (Buy)	-	-	14⅜	13¾	12¾	-
Dollar CDs	-	-	8.15	8.10	8.08	8.10
SDR Linked Dep. Offer	-	-	9⅛	9¼	9⅜	9⅜
SDR Linked Dep. Bid	-	-	9	9¼	9¼	9⅝
ECU Linked Dep. Offer	-	-	9¼	10⅛	10⅜	10⅜
ECU Linked Dep. Bid	-	-	9⅝	10	10¼	10¼

Treasury Bills (sell); one-month 13½ per cent; three months 13⅛ per cent; six months 13 per cent; Bank Bills (sell): one-month 13⅝ per cent; three months 13$\frac{5}{16}$ per cent. Treasury Bills; Average tender rate of discount 14.3784 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 28, 1990. Agreed rates for period Oct 24,1990 to Nov 25, 1990, Scheme I: 15.78 p.c., Schemes II & III: 16.21 p.c. Reference rate for period Sept 1,1990 to Sept 28, 1990, Scheme IV&V: 14.955 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from October 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct. 9,1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

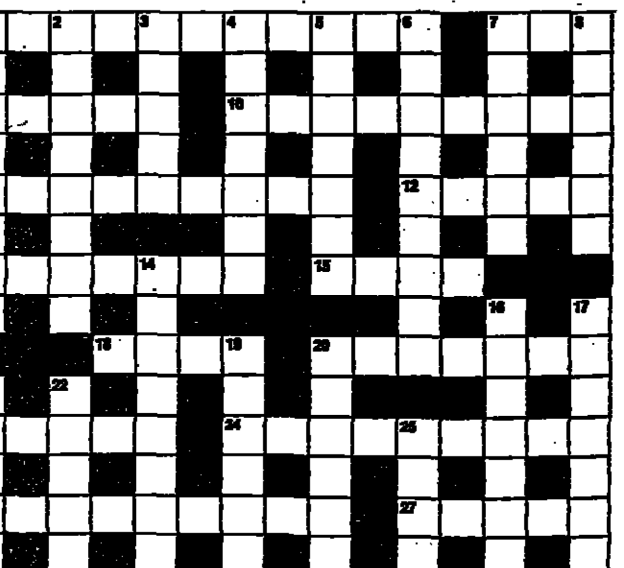
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,362 Set by QUARK



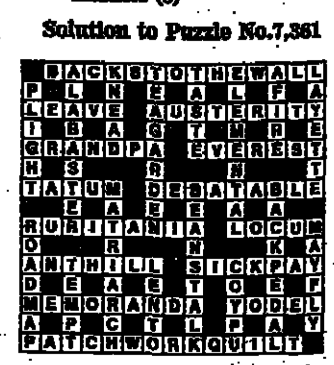
ACROSS

1 On which one can only hope (7,4)
7 Source of metal round about here (3)
9 Left Cola ordered in the pub (5)
10 Pirate company although cut could be out of the woods (6,3)
11 Getting order in the post? (9)
12 A belief, whichever way one looks at it (5)
13 Pay it before undergoing a rise (3,4)
15 Stolen goods one saw returned? (4)
18 A religious leader, I am round front of mosque (4)
20 Perhaps role fit for particular kind of plant (7)
23 Take in the king's name (5)
24 Plant Mary grows wild, in unrestrained way (9)
26 Matter of wealth? (9)
27 Politician in first-class cover-up (5)
28 Article of aesthetic value (3)
29 A stern commander? (4-7)

DOWN

1 Cultivated spring colour, we hear (4-4)
2 Private American arrangement (2,6)
3 Crooked stile in small piece of land (5)
4 Boast loudly, with anger? It produces heat (3,4)
5 Part of bill (eg law instrument) is not allowed (7)
6 An extra on the score? (6-3)
7 Cancelled intention to break the law (6)
8 Mistakes English Academy must be about to divulge (6)
14 Place under foot? (9)
16 Officer fixed up in more comfortable surroundings, more expensive (8)
17 Show notice (6)
19 Tempestuous female character? (7)
20 Valley in Greece for artist's painting base (7)
21 Recess near front of temple (6)
22 Prickly shrub has top removed in country walk (6)
25 Warning given by the marines (5)

Solution to Puzzle No.7,361



WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · JAPAN · FRANCE (continued) · GERMANY · GERMANY (continued) · ITALY · ITALY (continued) · NETHERLANDS · NORWAY · SPAIN · AUSTRALIA · SWEDEN · SWITZERLAND · SOUTH AFRICA · AUSTRALIA (continued) · HONG KONG · MALAYSIA · SINGAPORE

[illegible]

CANADA

TORONTO

Closing prices October 5

[illegible]

MONTREAL

Closing prices October 5

[illegible]

INDICES

NEW YORK · DOW JONES · STANDARD AND POOR'S · NEW YORK ACTIVE STOCKS · TRADING ACTIVITY · CANADA TORONTO

[illegible]

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

[illegible]

THAILAND

Bangkok SET (30/4/75) 680.09 672.98 671.99 713.85 1143.78 (25/7) 613.95 (25/9)

WORLD

M.S. Capital Intl. (1/1/70) (u) 450.2 445.5 445.4 571.0 (4/1) 423.1 (28/9)

**Saturday October 6: Taiwan Weighted Price: 2739.04 Korea Comp Ex. 616.47

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 8 October 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kobe Steel	18.3m	520	-5	C. Itoh & Co	6.5m	728	+29
Harima-Hma.	14.2m	678	+43	Komatsu	6m	1,110	+20
Nippon Steel	9.8m	422	+6	NKK	5.8m	421	+16
Mitsubishi Hvy	9.9m	744	+34	Sumitomo Metal	5.5m	448	+29
Marubeni	9.7m	675	+41	Toshiba	4.8m	825	-10

She hol larg stoc

3pm prices October 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		-A-A-A-								
37½	11½	AAR	.48	4.1	7	505	12⅛	11⅞	11⅞	−⅜
9¼	7⅞	ACM n	1.01	13.		160	8	7⅞	8	+⅛
11⅝	8¾	ACMIn	1.26	13.		331	9½	9⅜	9½	+⅛
9¾	6½	ACM M n	1.01	14.		122	7	6⅞	7	+⅛
12⅛	10	ACMMM	1.50	13.		188	11⅝	11⅜	11½	−⅛
11½	8⅝	ACM Sc	1.26	13.		450	9⅝	9⅛	9⅜	+⅛
9⅜	7⅝	ACMSp	1.01	13.		310	8	7⅞	7⅞	−¼
24⅝	14⅝	AL Lab	.16	.9	17	5	18⅞	18⅞	18⅞	+⅛
5¼	1¼	AM Intl				75	1⅜	1¼	1⅜	−¼
23¼	7	AM In pf	2	30.		66	7½	d6¾	6¾	−1
104⅞	39⅞	AMR			10	2890	43	42	42⅞	
28½	25	AMR pf	2.67	10.		4	25½	25½	25½	
4⅛	2⅞	ARX			8	12	2⅞	2¾	2⅞	+⅛
72¾	42⅝	ASA	3a	6.2		385	48½	47⅞	48⅜	+⅝
45⅝	30⅝	AbtLab	s.84	2.0	20	3842	41¼	40¾	41⅛	+¼
11⅝	5¼	AcmeC	.40	7.1	7	18	5⅝	5⅝	5⅝	−⅛
9⅝	6	AcmeE	.32	5.4	8	17	6⅞	d5⅞	5⅞	−⅛
32⅞	18⅞	Acuson n			22	1719	27¼	26½	26½	−⅜
16⅞	14⅛	AdaEx	2.08e	14.		70	15	14⅜	14⅞	−⅛
16⅜	10	Adobe				161	11⅞	11⅛	11¼	
20¼	17⅝	Adob pf	1.84	10.		7	17⅝	17⅝	17⅝	
21⅝	19¼	Adob pf	2.40	12.		5	20	20	20	
11⅞	4⅜	AMD			20	1859	5⅛	4⅞	5	
32⅞	18½	AMD pf	3	16.		23	18⅝	18½	18½	
9¼	2	Advest	.16	7.1	29	87	2⅜	2⅛	2¼	−⅛
62½	33¼	AetnLf	2.76	8.6	6	6332	34⅛	d30⅞	32	−1⅝
13⅝	7⅞	AflPb	.24	3.1		481	8	7⅞	7⅞	
24½	11⅞	Ahmans	.88	6.3	5	716	14½	13⅞	13⅞	−¼
3⅞	1⅞	Aileen			9	29	3⅜	3¼	3⅜	
61	43	AirPrd	1.44	3.0	12	359	48⅛	47½	47½	−⅝
27	14½	AirFrt s	.30	1.6	9	498	16⅞	16⅝	16¾	−⅜
24½	12½	Airgas			24	202	13⅝	13⅜	13⅜	−⅛
20¾	16⅝	Airlease	2.82	15.	8	6	18½	18½	18½	−⅛
10¼	9	AlaP dpf	.87	9.3		1	9⅜	9⅜	9⅜	+⅛
103½	94½	AlaP pf	9.44	9.8		z200	96½	96	96½	+1½
27⅝	13⅞	AlskAir	.20	1.2	6	205	16⅞	16½	16⅜	−¼
21⅛	10	Albnyln	.35	3.2	10	352	11⅛	11	11	
27⅞	10¼	Alberto	s.20	.9	18	53	22⅜	22¼	22⅜	+¼
37⅝	24⅛	AlbtsnS	.48	1.6	19	1359	31¼	30⅜	30⅞	−⅛
24½	18⅞	Alcan	1.12	5.5	8	570	20⅝	20⅜	20½	+⅛
37⅞	27⅞	AlcoStd	.84	2.7	12	50	31⅝	31	31⅛	−⅛
34	17¼	AlexAlx	1	5.8	16	601	17⅞	17¼	17¼	−⅜
97	78½	AlleghCp	1.72t	2.2	7	7	78½	78½	78½	−½
34¼	18	AlgLud	s.88	4.3	6	45	21⅛	20⅝	20⅝	−⅞
42½	34	AllgPw	3.16	8.7	10	133	36⅛	36⅞	36⅛	+½
20	9	AllenG			11	102	13	12⅝	12⅝	+⅜
21¾	11½	Allen pf	1.75	11.		45	16	16	16	
21	12¼	Alergn	.28e	1.9	19	1062	14	13½	13⅝	−⅛
17⅛	12¼	AlmCap	1.70e	13.	13	10	12⅞	12⅞	12⅞	
17	8⅜	AllGIE n				52	10¼	10⅛	10¼	+⅛
12⅛	7¼	AllNEn n				1124	8	7⅞	7⅞	+¼
15¼	10¾	AllTch n				384	12⅜	12	12	
25⅞	19	Allsh pf	2.67	15.		313	20⅛	19⅞	20⅛	+¼
12⅞	4	AlldPd			6	318	4⅛	4	4	
38¼	27¼	AldSgnl	1.80	6.1	9	874	30¼	29⅝	29½	−¼
10⅝	9⅜	AMIT	.78a	7.8		138	10	9⅞	9⅞	
10⅛	9¼	AMIT2	n.73a	7.8		102	9½	9⅜	9⅜	−⅛
10	8⅜	AMIT3	n.64	7.4		58	8⅝	8⅜	8⅝	+⅛
11⅛	8⅝	AMIO	.84a	8.4		74	10	9⅞	10	+⅛
10⅛	8⅞	AMIO2	.72	7.9		120	9¼	9⅛	9⅛	−⅛
10⅛	8⅛	AMIO3	n.48	5.6		55	8⅝	8½	8⅝	+⅛
9⅜	8⅛	AMPI	n.69a	8.4		241	8⅝	8¼	8¼	−⅛
41¼	24⅜	ALTEL	1.28	4.6	12	135	27⅞	27¼	27⅞	
79⅝	59¼	Alcoa	1.60a	2.6	6	1101	62½	61⅝	61⅝	−⅜
20¼	12⅞	AmaxG	.08	.5	44	9	15⅜	15⅜	15⅜	−⅛
29⅝	20¼	Amax	.80	3.6	9	2027	22⅜	22¼	22¼	−⅛
16⅛	⅝	AmBas	.10j			5364	1⅛	15-16	15-16	−6-16
12⅞	6⅝	Amcast	.48	6.4	11	8	7½	7½	7½	+⅛
11⅞	⅛	vjAmdur				37	11-32	5-16	5-16	
56	38⅛	AmHes	.60	1.2	48	142	51¼	51	51	−⅛
10⅞	9⅛	AmAdj	n.92	9.2		144	10	10	10	
24¾	11 9-16	ABarck	s.10	.5	52	985	21½	21¼	21¼	−⅛
78⅛	61¼	AmBrnd	2.72	3.7	10	793	73¼	72⅝	72⅝	−¼
39	30⅞	ABrd wi				4	38⅜	38⅛	38⅛	
41⅞	30¼	ABkM	.92	3.6	11	226	29¼	d25¼	25¼	−4⅝
24⅝	19	ABusP	s.88	4.4	10	24	20⅛	20	20	−¼
20¾	15⅛	ACapBd	1.98a	13.		18	15⅝	15⅜	15⅝	−⅛
22¼	16¼	ACapCv	2.44a	15.		2	16⅞	16⅞	16⅞	
8½	5⅞	ACapIn	.96	17.		189	5¾	5⅝	5¾	+⅛
61½	42	ACyan	1.35	2.9	16	1316	46½	46⅛	46¼	+½
33⅜	26	AEIPw	2.40	8.6	9	1002	28	27½	27⅞	+½
39⅜	18½	AmExp	.92	4.4	35	6154	21¼	20⅞	21⅛	+⅛
22½	12⅛	AFamly	.32	2.4	10	1317	13½	13⅜	13⅜	
50⅞	28⅛	AGnCp	3.20	9.8	8	2664	33⅛	32½	32⅞	−⅜
8¼	6½	AmGvI	.84a	12.		104	7⅜	7⅛	7⅛	
10	8½	AGIP	1.08a	12.		77	8⅞	8⅝	8⅞	+⅛
10⅝	9¼	AGTT	.96	10.		28	9⅜	9⅜	9⅜	
24¾	19¾	AHlthPr	2.40	11.	12	64	21⅝	21⅜	21½	+⅛
66⅛	43	AHome	s2.15	4.5	13	963	47¾	47⅛	47⅝	+⅛
68⅛	52½	Amrtch	3.16	4.9	13	979	64¼	63⅞	63⅞	+⅛
89½	57	AIntGr	s.44	.7	9	3337	61	59½	60⅞	−½
10¼	8⅜	AOIF	.96e	11.		107	9	8⅞	8⅞	−⅛
31⅛	14⅝	APresd	.60	4.1		328	14⅞	14½	14⅝	+⅛
13	8¼	ARExt	2	22.	6	209	9⅜	9	9¼	−⅛
8⅛	2¼	AmRlty	.58j			11	3	2⅞	2⅞	+⅛
15¼	1½	ASB	.20j			62	1¾	1⅝	1¾	+⅛
17¾	2	ASB pf	.91j			23	2⅛	2⅛	2⅛	
3⅞	1⅞	AShip				35	2	1⅞	2	
71½	49	AmStor	1.12	2.2	12	132	50⅛	49⅞	50	+¼
[illegible]										

Continued on Page 47

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices October 8

NASDAQ NATIONAL MARKET

3pm prices October 8

AMERICA

Global rally lifts Dow in absence of budget accord

Wall Street

STRENGTH IN the Tokyo and London stock markets helped US equities post modest gains yesterday morning in spite of the failure by Congress to pass a budget accord over the weekend, *writes Karen Zagor in New York.*

At 1.30 pm, the Dow Jones Industrial Average was 10.40 higher at 2,521.04. Advancing issues led those declining by a ratio of eight to five. On Friday, the Dow had fallen 6.19 to 2,510.64.

US equities were buoyed by strong gains in overseas markets. But trading was dull on Wall Street, with fewer than 62m shares changing hands at 1 pm, with the Columbus Day federal holiday and the unseasonably warm weather in New York keeping many players away from the market. The bond market was closed.

The dollar continued to slide, particularly against sterling, which has received support from Friday's announcement that Britain would enter the European Monetary System's exchange rate mechanism.

UAL, parent of United Airlines, plunged $11⅛ to $92 after the labour group, which had launched a takeover bid of between $165 and $170 a share, said that it had failed to get bank financing for the offer. The group said that it planned to present another offer to UAL's board which would contain less cash.

Travelers Insurance tumbled another $2⅜ to $14⅛, after dropping $4½ on Friday, when the company said it would cut its dividend and take large losses in the third quarter.

Abbott Laboratories added $⅝ to $41 after the company reported strong earnings and sales for the third quarter. Among other healthcare and medical companies, Baxter slipped $⅛ to $25¼, Pfizer rose $⅝ to $74⅞ and Bristol-Myers rose $1¼ to $60⅝.

A number of food and drinks stocks improved, including Gerber, up $⅜ at $54¼ and Hershey, $⅛ higher at $37⅝.

Phillips Petroleum gained $⅛ to $26⅝ after the company said it would increase its quarterly dividend to 28 cents a share from 25 cents. Among other oil companies, Mobil added $¼ to $61⅝, Texaco was unchanged at $60½, Amoco rose $⅜ to $56½ and Occidental Petroleum was $⅛ higher at $18⅝.

Corroon & Black moved $1⅜ higher to $32⅝ after the company said it had consummated its merger with the UK's Willis Faber, which has changed its name to Willis Corroon. Willis Corroon shares will trade as Willis Corroon American depository shares on the New York and Pacific stock exchanges, with trading beginning today using the ticker symbol WCG.

Dow Jones lost $⅛ to $23 after the company reported third quarter earnings of $23.8m or 24 cents a share compared with $28.8m or 29 cents a year earlier.

Reuters Holdings American depository shares dropped $3⅜ to $39⅜ in active, over-the-counter trading.

R.R. Donnelley and Sons, the biggest commercial printer in North America, improved $¼ to 437 after the company said it had acquired the UK's Business Mail Data Services. Donnelley already has four printing facilities in the UK, including its Ben Johnson divisions in York and Gateshead, and operations in London and Thorp Arch.

● Canada was closed for the Thanksgiving Day holiday.

EUROPE

Short-covering helps Frankfurt leap 5.3%

BOURSES, with the exception of Milan, began the week with strong gains yesterday. There were hopes, described as wishful thinking by one analyst, that the UK's cut in base rates would spark similar moves by European central banks, *writes Our Markets Staff.*

FRANKFURT rallied along with the bond market, which was also encouraged by the good reception of the government's new 10-year, 9 per cent bond, the highest coupon in eight years.

In the equity market, foreign selling was countered by domestic buying and widespread short-covering. Large share price rises partially reflected the jump after-hours on Friday on the UK Treasury's surprise announcement of sterling's entry into the exchange rate mechanism (ERM) of the European Monetary System.

But volume was still low at DM4.04bn after Friday's DM3.5bn, suggesting that the jump was mainly technical. The FAZ index, calculated at midsession, rose 21.62 or 3.6 per cent to 622.16, while the DAX closed 73.77 or 5.30 per cent higher at 1,465.53.

A broker based in Düsseldorf said that sterling's entry into the ERM was not that positive for Germany. There was a risk of imported inflation, given that 7 per cent of Germany's imports came from the UK, and the current rally in the pound would also put downward pressure on the D-Mark in the short term.

He expected the market to firm further this week until most operators had covered their short positions, but added that the DAX could have difficulty in passing 1,520.

Gains were across the board, with blue chips leading the way. Deutsche Bank rose DM30.30 to DM619.802, Siemens added DM27 to DM563 and Daimler firmed DM29.50 to DM614.50. Even Thyssen put on DM10.90 to DM206 in spite of news that its steel production had fallen 7.3 per cent in the first nine months of this year and that steel prices had softened.

Commerzbank, which set the price on a planned issue of DM500m worth of convertible profit-sharing certificates at DM200 each, added DM8 to DM239.

PARIS, which had rebounded late on Friday afternoon on the news of sterling's move into the ERM, rose again yesterday, but buying was not heavy. The CAC 40 index gained 34.23 to 1,586.16 in thin turnover estimated at FFr1.7bn to FFr1.8bn.

Most blue chips advanced, with CGE gaining FFr17 to FFr550, as the market's confidence grew a little. Some companies with ties to the UK were active: LVMH, which has a large stake in Guinness, rose FFr134 to FFr3,582 with 18,750 shares traded, and CMB Packaging reached a high of FFr188, before closing 70 centimes higher at FFr111.20 on 300,900 shares as investors took profits.

One the day's best gains was by Locabail Immobilier, a unit of Compagnie Bancaire, which jumped FFr56 or 8.1 per cent to FFr750 on the news that it will take control of all the property rental activities of UCB, another Bancaire subsidiary. Locabail Immobilier remains a Sicomi, or quoted property leasing company, but becomes a purely property-backed stock, and therefore looks undervalued, said one analyst. At the start of trading yesterday, its share price was calculated to stand at a 60 per cent discount to net asset value, he said.

Bancaire gained FFr17.10 to FFr373.10.

Eurotunnel rose FFr2.20 to FFr47.60 on hopes that its refinancing package would soon be completed.

MILAN lagged behind other European bourses in a quiet session. Trading is expected to become increasingly technical before Thursday's expiry of the monthly stock options and Monday's end of the October trading account.

Dealers blamed the market's lethargy on what they described as the government's bad handling of the new capital gains tax, which had scared off domestic investors, and the potential difficulties in implementing the new levy.

"The market needs clarification from the politicians, who have once again shown how cut off they are from the real world," said one broker. Volume was estimated at around Friday's paltry L114bn. The Comit index rose 1.45 to 571.55.

Fiat gained L70 to L6,690 at the official close but slipped to L6,635 after hours on news that its share of the domestic car market had dipped to 53.4 per cent in the first nine months of the year compared with 57.4 per cent in the year-ago period.

Banca Commerciale Italiana recouped L35 to L4,650 after falling sharply last week when Ferruzzi severed its ties with the bank.

STOCKHOLM closed sharply higher in sympathy with gains on other European exchanges. The Affärsvärlden General index rose 23.7 to 991.8.

Ericsson free B shares were heavily traded, and rose SKr8 to SKr227, while Electrolux free Bs gained SKr3 to SKr169.

MADRID, which had been inspired by the ERM news to regain early losses on Friday, added another 1.6 per cent. The general index rose 3.56 to 222.84.

ZURICH was led higher by chemicals and banks, but slipped from afternoon highs on profit-taking. The Crédit Suisse index rose 7.9 to 504.6.

AMSTERDAM ended quietly firmer. The CBS tendency index added 2.6 to 95.6 but it was off the morning's high of 96.1. Stocks which are also listed in London closed higher: Daf, the truck maker, rose Fl 1.30 to Fl 23.20; Unilever certificates jumped Fl 6.10 to Fl 143.70; and Royal Dutch gained Fl 4.70 to Fl 140.30.

OSLO's composite index rose 10.41 to 537.34.

Equities enjoy their first weekly rise since August

By Antonia Sharpe

A BELIEF that there may be greater prospects for a peaceful resolution in the Middle East prompted a widespread, if volatile, recovery in world stock markets last week, although uncertainty about proposals to tackle the US budget deficit kept a lid on gains. The FT-Actuaries world index rose by 4.4 per cent in local currency terms, its first weekly increase since the end of August.

Sweden led the gains in Europe, jumping 10.4 per cent in local currency terms and so clawing back most of its 13.1 per cent loss of the previous week. The fall had followed news that several financial investment companies were in trouble; Mr Mikael Sjöwall of Kleinwort Benson Securities says moves by their parent companies to bail them out with injections of fresh capital had reassured the market.

Sweden's price/earnings ratio has now fallen to about nine times prospective, the lowest level for several years, says Kleinwort, adding that some stocks look attractive, such as Ericsson, the telecommunications supplier, and Skandia, the insurance company.

However, excessive increases in the cost of living and wages and the deteriorating competitiveness of Swedish industry mean that the economy might not grow at all next year, or even tip into a recession. The deregulation of Swedish foreign exchange rules, which prompted many companies to borrow in foreign currencies, has resulted in soaring interest expenditure. "This could lead to a current account deficit of SKr50bn ($8.8bn) in 1991 (after SKr30-35bn in 1990) which is unheard of," says Mr Sjöwall.

Mr Roddy Bridge at UBS Phillips & Drew says sterling's entry into the European exchange rate mechanism (ERM) was good news for Sweden, which has been hinting that it wants eventually to follow suit. Also, many Swedish companies have a large exposure to the UK, where demand should pick up following the cut in base rates.

Ireland was Europe's second best performer last week, advancing 6.1 per cent in local currency terms. Mr Robbie Kelleher of Davy's stockbrokers in Dublin says the market was ready for a bounce after falling 35 per cent since its peak in January 1989.

Last week's rise was largely due to the better environment for international markets. Fundamentally, the Irish market looked attractive, especially after Friday's ERM and UK interest rates news, which brightened prospects for listed companies with British subsidiaries.

Japan ended a roller-coaster week 7.6 per cent higher in local currency terms, after the Nikkei index plunged more than 1,100 points on Monday only to rebound by 13.2 per cent on Tuesday, a record one-day gain, largely thanks to official market-support measures. Banks were particularly depressed by expectations of lower earnings.

Mr Tarek Fadlallah at Nomura International says: "In their hour of gloom we might suggest that investors once again consider the attractiveness of financial stocks at current price levels."

Hong Kong led the advance in the Pacific Rim, rising 3.2 per cent on the week. Hoare Govett is cautious about the market's near-term prospects, although 2,750 on the blue chip Hang Seng index should provide some support.

Malaysia put on 1.7 per cent after its parliament was dissolved and general elections were scheduled for late October. Singapore rose 1.4 per cent on the week, but turnover fell to a low for the year. Australia and New Zealand continued to weaken, shedding 2.7 and 0.3 per cent respectively.

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1990	% change sterling † Start of 1990	% change in US $ † Start of 1990
Austria	+2.46	−16.43	−7.68	−6.35	−14.74	+2.99
Belgium	+2.16	−6.63	−25.59	−23.62	−29.22	−14.49
Denmark	+2.40	−6.39	−2.08	−9.85	−16.25	+1.16
Finland	−2.98	−15.56	−29.50	−30.41	−36.19	−22.92
France	+3.20	−4.76	−22.71	−24.37	−30.12	−15.58
W. Germany	+5.37	−10.28	−13.44	−20.06	−27.65	−12.59
Ireland	+6.08	+2.26	−24.41	−26.00	−31.13	−16.81
Italy	+3.18	−5.00	−22.70	−21.11	−28.20	−13.27
Netherlands	−0.10	−8.08	−19.46	−18.20	−25.78	−10.34
Norway	−3.33	−12.84	+11.38	+8.38	−0.90	+19.72
Spain	+5.36	−8.68	−33.13	−25.61	−30.59	−16.15
Sweden	+10.41	−11.10	−14.67	−15.43	−23.75	−7.88
Switzerland	+4.72	−5.82	−23.21	−20.33	−21.03	−4.60
UK	+7.15	+0.20	−9.239	−13.54	−13.54	+4.45
EUROPE	+5.19	−4.40	−15.66	−17.84	−21.77	−5.49
Australia	−2.70	−8.23	−21.97	−16.75	−27.07	−9.92
Hong Kong	+3.17	−6.60	−2.25	−1.18	−17.71	−0.57
Japan	+7.62	−8.64	−38.84	−43.20	−48.89	−38.26
Malaysia	+1.71	−14.75	−10.02	−18.69	−32.69	−18.69
New Zealand	−0.33	−7.15	−35.71	−25.20	−35.61	−22.21
Singapore	+1.36	−11.32	−19.08	−21.79	−29.61	−14.97
Canada	−0.36	−3.29	−18.75	−16.66	−30.77	−16.37
USA	+1.76	−3.72	−13.52	−12.25	−27.37	−12.25
Mexico	+0.36	−5.36	+72.69	+59.97	+22.82	+48.34
South Africa	−2.79	−9.29	+1.47	−10.30	−36.19	−22.91
WORLD INDEX	+4.37	−5.70	−23.92	−26.23	−35.11	−21.60

† Based on October 5th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Ltd.

ASIA PACIFIC

Nikkei closes above 23,000 as yen rebounds

Tokyo

THE REBOUND of the yen against major currencies gave equities a much-needed boost yesterday, and the Nikkei average closed above the 23,000 level for the first time in nine trading days, *writes Martina Gannon in Tokyo.*

The yen's strength also lifted bond prices, encouraging the spread of optimism on the deflated stock market. The leading index opened higher and rose steadily throughout the day on broad small-lot buying of leading stocks, including electricals, trading houses and other blue chips. A surge just before the morning close was mainly the result of index-linked purchases by investment trusts.

The Nikkei ended at the day's high of 23,630.00, up 802.35, or 3.5 per cent, after dipping to a low of 22,857.59. Volume came to 400m shares, against Friday's 450m. The Topix index of all listed stocks rose 46.52 to 1,727.19 and the second section gained for the fifth business day. In London, the ISE/Nikkei 50 index gained 6.28 at 1,378.63.

In Tokyo, advancing issues outnumbered declines by 776 to 144, with 106 unchanged. Early trading was dominated by the purchase of large-capital, interest rate-sensitive issues, including steels and shipbuildings, as the strong yen and the weaker US economy led market participants to believe that interest rates might have peaked.

As the yen rose to Y129 against the dollar at one stage, buyers turned to utility and oil shares, in spite of the slight rise in oil prices. Tokyo Electric Power climbed Y210 to Y3,190 and Nippon Oil added Y50 at Y960.

Other significant winners in the morning were chemical and petrochemical stocks.

Motor and drug shares held firm throughout the day, with Nissan Motor advancing Y15 to Y817, Toyota Motor Y20 to Y1,960 and Green Cross Y40 to Y1,230. Dainippon Pharmaceutical, which announced it had raised its pre-tax profits estimate for the first half of the current business year, moved ahead Y80 to Y2,040.

Banks advanced, with the exception of Sumitomo. Mitsui Taiyo Kobe rose Y80 to Y1,280, Mitsubishi added Y50 at Y1,550 and Fuji gained Y50 at Y1,790. Sumitomo shed Y10 to Y1,640 following the weekend arrest of one of the bank's former branch managers on allegations that he had arranged illegal loans totalling Y23bn for a corporate raider.

Stocks popular with speculators fell sharply across the board following news of the resignation of Sumitomo Bank's chairman, as dealers feared that the loan scandal would hamper speculators' financing. Honshu Paper remained at its asked quotation of Y3,750 for most of the day, ending at Y3,700, off 11.9 per cent.

Trading houses were among shares sought out by buyers encouraged by a warming in Japanese-Soviet diplomatic relations, following an agreement on the contentious issue of the ownership of four islands.

In Osaka, the OSE average climbed 631.61 to 26,616.54, but turnover fell to 23.9m shares from Friday's 34.2m.

Roundup

RELIEF with the defeat of military rebels in the Philippines at the weekend lifted the Manila market by 10 per cent yesterday. Elsewhere, Tokyo's advance gave some encouragement to the Pacific Rim region.

MANILA jumped 10 per cent after the quashing of a military revolt at the weekend. The composite index rallied 52.57 to 567.37, after reaching a 41-month low on Friday.

Bargain hunters were active, lifting turnover. A rumour that Saniwares had finally set October 19 as payment date for its 400 per cent stock dividend raised interest in the commercial sector. Saniwares gained 8 pesos to 44.50 pesos.

HONG KONG followed Japan higher, with the Hang Seng index picking up 75.03 to 2,9525.48. Turnover was light, however, falling to HK$575m from Friday's HK$809m.

AUSTRALIA was encouraged by the gain in Tokyo, and the All Ordinaries index improved 12.6 to 1,369.4, although trading volume was thin. Turnover amounted to A$129m, down from Friday's A$160m. Among industrials, BHP and Lend Lease each gained 20 cents to A$10.25 and A$12.85 respectively.

TAIWAN rose in response to Tokyo's strength and short-covering by investors. The weighted index, which slipped 32.36 on Saturday, advanced 156.57 to 2,895.61. Cement and financial issues led gains.

NEW ZEALAND remained in the doldrums and the Barclays index slipped 21.54 to 1,442.90, its fourth consecutive fall, in quiet trading. The Gulf crisis and the forthcoming New Zealand elections kept investors on the sidelines.

KUALA LUMPUR was also handicapped by pre-election worries, and share prices ended mixed after reduced turnover. The composite index edged up 3.80 to 473.86. SINGAPORE eased in thin trading, the Straits Times Industrial index losing 3.90 to 1,110.03.

SOUTH AFRICA

LEADING INDUSTRIAL stocks gained ground in Johannesburg yesterday, but gold shares drifted slightly lower as the bullion price fluctuated narrowly around $390 an ounce. The JSE industrial index added 16 to 2,666.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	FRIDAY OCTOBER 5 1990 — US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY OCTOBER 4 1990 — US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX — 1990 High	1990 Low	Year ago (approx)
Australia (78)	133.36	−0.7	101.50	111.52	107.26	106.08	−0.9	7.30	134.31	104.18	113.64	107.09	107.07	159.31	125.85	160.33
Austria (19)	187.65	−1.5	142.82	156.93	150.92	149.78	−1.6	1.82	190.41	147.69	161.11	151.81	152.17	285.63	178.57	167.03
Belgium (61)	132.26	−0.8	100.66	110.60	106.37	103.72	−0.1	5.58	133.27	103.37	112.75	106.25	103.86	160.02	126.67	141.99
Canada (120)	127.27	−0.9	96.86	106.43	102.35	106.39	−0.6	3.78	128.47	99.65	108.69	102.42	106.89	153.61	127.27	154.03
Denmark (33)	245.08	−0.5	186.53	204.96	197.11	195.42	−0.3	1.52	246.23	190.98	208.33	196.31	196.08	277.62	234.05	200.13
Finland (26)	102.75	−0.9	78.20	85.93	82.64	78.70	−1.1	3.48	103.67	80.41	87.72	82.65	79.57	152.29	102.75	125.63
France (123)	131.72	−0.9	100.25	110.15	105.93	107.08	+0.0	3.84	132.88	103.06	112.42	105.93	107.13	168.85	124.98	139.10
Germany (91)	108.14	−1.8	82.30	90.45	86.97	86.97	−0.9	2.59	110.08	85.38	93.15	87.76	87.76	144.63	101.38	103.06
Hong Kong (48)	116.46	−0.5	88.63	97.39	93.67	115.99	−0.5	5.89	117.07	90.80	99.05	93.34	116.60	147.49	112.24	119.47
Ireland (17)	151.03	−1.6	114.95	126.31	121.47	121.85	−1.5	4.29	153.44	119.01	129.82	122.33	123.76	198.57	139.04	160.70
Italy (91)	85.37	−1.8	64.98	71.39	68.66	73.65	−1.5	3.31	86.92	67.42	73.54	69.30	74.64	109.26	80.87	91.57
Japan (454)	121.87	+3.0	92.76	101.92	98.03	101.92	+1.8	0.83	118.29	91.75	100.08	94.32	100.08	197.26	106.58	183.30
Malaysia (35)	186.23	+0.7	141.74	155.74	149.78	193.55	+0.7	3.16	185.02	143.51	156.54	147.51	192.22	250.89	182.96	206.20
Mexico (13)	482.93	−1.4	367.55	403.87	388.41	1531.24	−1.2	0.44	489.92	379.99	414.51	390.59	1550.44	561.41	324.53	316.47
Netherland (42)	129.01	−2.6	98.19	107.89	103.76	102.66	−1.8	5.55	132.47	102.74	112.08	105.61	104.57	149.03	127.56	131.50
New Zealand (16)	56.08	−0.5	42.68	46.91	45.11	48.20	−0.7	7.21	56.36	43.71	47.69	44.93	48.56	75.36	55.62	83.40
Norway (28)	239.27	−2.5	182.10	200.10	192.44	193.88	−2.5	1.60	245.32	190.28	207.57	195.59	198.87	276.79	202.34	184.74
Singapore (25)	150.69	−0.2	114.69	126.03	121.20	121.35	−0.4	3.47	151.07	117.17	127.82	120.44	121.80	209.24	147.24	166.50
South Africa (60)	151.50	−8.9	115.30	126.69	121.85	136.41	−1.5	4.19	166.33	129.01	140.73	132.61	138.51	251.39	151.50	157.73
Spain (42)	136.74	−0.5	104.07	114.36	109.98	100.54	+0.2	5.48	137.49	106.64	116.33	109.61	100.36	182.25	128.54	165.10
Sweden (27)	176.91	−2.2	134.64	147.95	142.29	148.89	−1.9	2.73	180.83	140.25	153.00	144.17	151.78	234.93	158.07	182.04
Switzerland (67)	89.74	−0.9	68.30	75.06	72.19	71.66	+0.0	2.98	90.52	70.21	76.59	72.17	71.63	109.77	85.00	91.98
United Kingdom (300)	165.76	+5.2	126.16	138.61	133.31	126.16	+3.3	5.51	157.51	122.17	133.25	125.56	122.17	178.18	139.67	149.88
USA (533)	125.52	−0.4	95.53	104.98	100.96	125.52	−0.4	3.91	126.00	97.72	106.61	100.46	126.00	148.95	121.30	145.90
Europe (967)	134.56	+1.4	102.41	112.53	108.23	105.44	+1.0	4.43	132.74	102.96	112.32	105.84	104.45	157.65	124.91	130.65
Nordic (114)	182.81	−1.5	139.13	152.88	147.03	143.80	−1.3	2.10	185.54	143.91	156.98	147.92	145.73	223.29	172.38	168.22
Pacific Basin (656)	121.91	+2.7	92.79	101.96	98.06	102.32	+1.6	1.26	118.66	92.04	100.40	94.61	100.68	192.75	107.82	179.99
Euro – Pacific (1623)	127.40	+2.1	96.96	106.54	102.46	104.37	+1.3	2.63	124.73	96.74	105.52	99.43	103.00	174.18	116.03	160.38
North America (653)	125.54	−0.4	95.55	105.00	100.99	124.28	−0.4	3.90	126.06	97.77	106.67	100.52	124.76	148.43	121.59	146.28
Europe Ex. UK (667)	115.49	−1.4	87.90	96.60	92.91	93.15	−0.7	3.60	117.16	90.87	99.15	93.43	93.83	145.62	109.94	117.96
Pacific Ex. Japan (202)	121.67	−0.6	92.60	101.77	97.87	104.01	−0.7	6.35	122.35	94.90	103.54	97.56	104.73	146.72	121.14	139.98
World Ex. US (1816)	127.84	+1.9	97.30	106.92	102.83	105.14	+1.2	2.68	125.47	97.32	106.17	100.04	103.86	173.77	117.12	160.23
World Ex. UK (2049)	122.15	+0.6	92.97	102.16	98.25	109.96	+0.3	2.78	121.45	94.20	102.77	96.84	109.59	162.00	115.37	154.44
World Ex. So. Af. (2289)	125.88	+1.2	95.80	105.28	101.25	111.41	+0.7	3.09	124.40	96.49	105.27	99.19	110.64	161.84	118.04	153.99
World Ex. Japan (1895)	129.44	+0.2	98.51	108.26	104.12	116.78	+0.1	4.21	129.20	100.21	109.32	103.02	116.64	151.59	124.31	140.43
The World Index (2349)	126.03	+1.1	95.92	105.40	101.37	111.58	+0.7	3.10	124.68	96.69	105.47	99.39	110.83	182.05	118.33	154.01

Constituent change 8/10/90: Mikron (Switzerland): Registered shares have replaced Bearer. Latest prices were unavailable for this edition.

PRIVATE BANKING

The past two months of stock market turmoil and the possibility of a recession are putting private bankers in Europe and the US on their mettle. Their investment capabilities on behalf of wealthy individuals are now being put to the test, writes **Sara Webb**

The personal touch

PRIVATE BANKING is one of those amoebic phrases which can be stretched to cover whatever the banker or client in question wants it to mean.

To the Swiss, and to an increasing number of other Europeans, it means providing a personal banking service, where preservation of capital is of paramount importance and where the banker remembers his individual clients' names and details. To the English, it conjures up the image of generations of inherited wealth.

In the US, private banking is frequently associated with budding entrepreneurs who need to borrow from their bank to build up their business.

For others – Arab sheikhs, for example – private banks provide safe havens at times of political turmoil such as during the Iran-Iraq war and the present Gulf crisis.

It may carry shadier connotations: to a third world dictator – a Marcos, a Duvalier or a Ceausescu – private banking means a secret bolthole, somewhere to keep money safe in case the need arises to leave the country quickly by helicopter.

There are, however, plenty of "ordinary" people, businessmen for example living in high tax regimes, who might wish to keep part of their wealth in an offshore account, out of reach of the tax authorities. Or they may be Latin American businessmen who want to preserve their capital in a strong currency abroad because of the rate of inflation back home.

Many wealthy individuals simply do not have the time, experience or resources to make investment decisions to stay abreast of today's fast-moving markets. The world has become a far more complicated place and investment is a more global business.

The high net worth individual of the 1980s and 1990s has to think about factors such as exchange rates, interest rates, and exposure to a wide range of stock markets. He or she needs an investment manager who can allocate assets among different markets, currencies, financial instruments and economic sectors.

But after receiving high discretionary management fees for his professional expertise, the private banker must be on his mettle – which is easier said than done over the years that encompass the stock market crashes of 1987 and 1989, and the past two turbulent months. Turmoil – and the likelihood of recession ahead – is a real test of a private banker's investment capabilities: those who have had the foresight to put clients into interest-bearing instruments may feel quite content today, while those too heavily invested in equities may be having awkward discussions with clients at the moment.

The reasons for using a private bank are various – the need to preserve wealth, have one's assets managed, escape the tax authorities, keep money in a safe haven, or for pure cachet. But whatever the different requirements of the customer, private bankers agree that this is a very lucrative business, based on fees and commissions, and largely free from competitive pressure to keep those fees down.

Bear Stearns reported recently that the Swiss private banking industry managed about $1,000bn in assets. It estimated that up to 75 per cent of that was non-domestic business and that this $750bn represented between one-third and one-half of the total international private banking market.

The firm also believes that this particular area of banking should "be one of the highest growth and most profitable financial businesses in Europe in the 1990s". It is hardly surprising that many banks are expanding their private banking divisions to cash in on the boom. The oldest players – such as Pictet, Lombard Odier and Coutts – have been joined by TSB and Lloyds Bank, while merchant banks such as Kleinwort Benson and Warburg are expanding this side of their business, too.

Private bankers earn their living from the fees generated by managing their customers' assets. The bigger the portfolio they look after, the greater their income. Tax cuts in the US and UK in the last decade have helped to create more rich individuals, some of whom want the individual financial attention which private banks set out to provide.

"In a world where mass production has become the norm, there are still people who want a personal service in many areas including banking," claims Mr Georges-Andre Cuendet, director at M M Hentsch, one of Switzerland's oldest private banks.

Today that individual service means paying close attention to details: remembering the names of your clients, recognising their voice when they ring out of the blue, making sure that they deal with the same banker to give them a sense of continuity of service.

It means being on call (your private banker may sport a bleeper to keep in touch at all times) even at weekends in case the client happens to have "dropped by Geneva". Those banks that want to pamper their customers may send them flowers at their hotel when they arrive in town, and offer advice on matters ranging from where best to educate their children to whether they should buy a house in the south of France – subjects on which, in their role as personal banker verging on friend, they may be called upon to answer.

Personal touches aside, the emphasis in private banking is very much on asset and financial management, for example, investing in a balanced portfolio of bonds and equities, and lending against the value of the assets if the customer wants to buy a new business or a luxury yacht. The Swiss have earned a reputation for cautious investment although they may face more pressure to be "performance-minded" as competition for high net worth individuals increases and customers become more sophisticated in their requirements.

According to Mr Jacques de Saussure, partner in the private bank Pictet, "when a client gives you all his wealth he doesn't expect to see it drop by 20 per cent one year and go up by 20 per cent the next – he wants to see the preservation of his wealth. The more risk-prone attitude in the US and UK is due partly to the fact that they look after a smaller proportion of their clients' funds. Switzerland's conservative attitude stems from the fact that you are looking after all of somebody's wealth."

The business of asset management has become more global in recent years, as investment managers have to take into account a multitude of factors – geographical allocation, currencies, interest rates and economic sectors – when placing clients' funds.

These funds may be pooled and managed alongside those of other customers by the bank's investment manager. It is both time-consuming and expensive to look after an individual's portfolio unless he has at least £100,000 at his disposal – some banks demand considerably more if the client wants his portfolio tailor-made. Many bankers now place their smaller clients in pooled funds.

As more players enter the field, the smaller banks may have to join forces if they are to cover their costs while providing a personal service and a creditable investment performance. Some have expanded on the institutional side, taking on the management of pension and insurance funds. But most admit that institutional business is not as lucrative as private banking: unlike institutions, few high net worth individuals are unlikely to kick up a fuss about the level of the charges. Their bankers have a pretty free rein when it comes to levying fees.

However, many private bankers are aware that the competition is increasing and that if they are to stay ahead they will have to woo new customers, not only in the US and Europe but also among the new breed of entrepreneurs in Asia. If their customers are to stay loyal, they will need to be happy with the investment performance provided by the bank – otherwise, the customer may get up and go elsewhere. There is, after all, plenty of choice.

IN THIS SURVEY

Editorial production
Gabriel Bowman

Sara Webb reports that the returns are better because of the fees that can be charged

The attractions of the business

Some wealthy Arabs – in monetary terms, high net worth individuals — in London

"PRIVATE BANKING? It's a goldmine," said one banker, explaining why his bank had decided to enter the fray.

It is indeed a lucrative field: bankers make their living from the commissions and fees generated by managing their clients' assets.

"It is a profitable business where the return is infinitely superior to any other area of banking because of the fees you can charge. The drawback is that it may take time to build up," says Mr Jim Galbraith, head of Lloyds Bank's Geneva branch.

Added to which, it is a low-risk business and one which many banks think will expand. Small wonder that banks are beefing up their private banking divisions and opening offices in Switzerland, the Channel Islands and Luxembourg.

Their customers are high net worth individuals. There are those who have inherited wealth over many generations, placing it offshore in times of difficulty. Then there are the newly-rich individuals who have benefited from tax cuts in the US and the UK, particularly if they set up their own businesses. And finally, there is the post-war generation which has inherited its parents' property and therefore suddenly come into possession of a large lump sum.

Lloyds Bank estimates that there are more than one million people in the UK with liquid assets (in other words not including property or shares) of £50,000 or more, in many cases stemming from the inheritance of property. As Mr Paul Brown, director of private banking services at Lloyds puts it: "The growth prospects in this market are fantastic."

"The growth prospects in this market are fantastic"

Furthermore, there are people who want an individual banking service and who are prepared to pay for it.

Mr Ian Dalziel, a director of Adam & Co, believes that the City's "Big Bang" created a situation where private investors became less important than institutions to the investment managers: as a result of the shake-up in the Stock Exchange "less attention was paid to the individual investor, even if he was relatively well-off."

So a niche opened up for investment managers who could handle private clients. On top of this, a distinct change in attitude towards wealth creation emerged during the Thatcher years. "When Mrs Thatcher won the 1983 election, we knew the Thatcher revolution would continue to create wealthy new professionals – doctors, lawyers, etc, who want a one-stop financial service."

Private banks make their profits from fees rather than from margins on the handling of money. As Mr Dalziel points out, "lending at the base rate plus 2 per cent is not hugely lucrative, although it can be a way of introducing you to a new client. The real money comes from portfolio management which is fee-generating, especially on the large amounts which most private bank clients have at their disposal."

On top of the portfolio management fees, there may be additional fees for legal and accounting work, for arranging loans and mortgages, or from selling insurance products.

However, the profits at private banks are tied quite closely to the performance of world stock markets. When the stock markets boom, as in 1989, bankers generate a lot of commission from the buying and selling of shares. And when stock markets are not doing so well, as during the recent Gulf crisis, they do quite nicely too because they generate fees from selling equities and putting their clients' money into deposits and interest-bearing instruments instead.

Mr Walter Hauser, senior vice president of Union Bank of Switzerland, points out that stock market business for his corporate customers provides very small margins whereas with private clients the bank has more "flexibility" when it comes to commissions. "Fees are relatively high here but if you buy a Ferrari, you pay a higher price than for a Deux Chevaux ... you have to pay for quality," he says.

Switzerland has a reputation among the bankers of other countries for being very expensive. As one rival puts it: "In Switzerland, every time they move a piece of paper somewhere, it costs the customer something, so if you are very big and very active, the charges mount up."

The Swiss defend this practice saying that at least if they charge for every transaction the customer can see the exact breakdown of fees, which he cannot see if he is simply charged a flat annual fee – as is the custom for many of the UK private banks.

Mr Jacques de Saussure, a partner in Pictet & Co, Swiss private bankers, claims at the end of the day the client pays the same, whether by a flat fee or by itemised charges. But he makes the point that in private banking, few customers are cost-conscious: "People come for the relationship, not for the lower rates."

For the banks, looking after high net worth customers is not cheap: portfolio management calls for access to good research into the world financial markets and sophisticated computer systems. It is also what bankers like to call "a people business": in other words, the banks regard their main assets as their staff who must be kept loyal so that customers do not suffer the inconvenience of dealing with a different account executive each time they drop by.

"People come for the relationship, not for the lower rates"

"It is an expensive business to run. You need to have highly qualified individuals, and you must train them in the culture so that they can deal with Arab sheikhs, British lords and French counts," says Mr de Saussure.

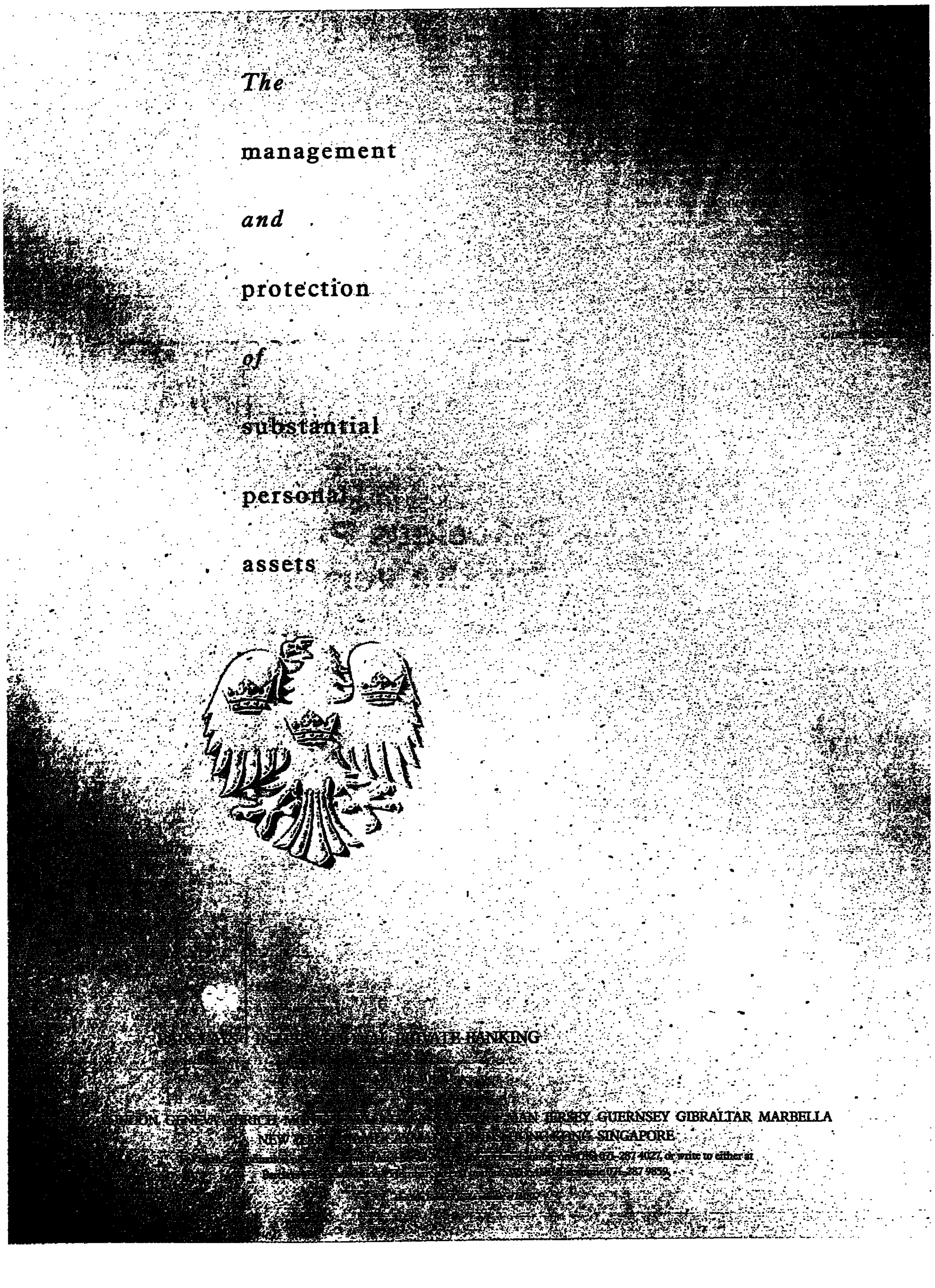
You may also need a smart, centrally located office and lavish furnishings decked out with suitably antique paintings to impress the customers and convey a sense of wealth.

Given the attractions, it is hardly surprising that many banks have expanded in this area. Some regard this line of business as "a bit of a doddle" as their customers have tended not to be particularly performance-minded. However, that may be changing.

Certainly, as the banks have taken on more institutional customers and carried out investment management for pension funds, insurance companies and foundations (for example, two of the better known Swiss private banks, Lombard Odier and Pictet have both actively pursued institutional business), they have found themselves working for clients who are more cost-conscious and more performance-driven than the average private client.

Mr Georges Vergnion, head of Swiss private banking at Chase Manhattan, detects more discernment among customers, particularly among entrepreneurs. "Our customers are sophisticated businessmen who expect to see performance: the less sophisticated clients might be happy with a 2 per cent return above the deposit rate, but most expect higher than that." Chase stipulates a minimum of $1m for clients who want a tailor-made service.

And if they don't perform, they could lose their clients to another private banking outfit or to one of the other players providing portfolio management services, for example the merchant banks such as Warburgs and Kleinwort Benson which have muscled in to provide asset management for the super-rich.



Profile: SAFRA REPUBLIC

'Safety first' formula that seems to work

ONE OF the undoubted heavyweights of the private banking world is Mr Edmond Safra, the 58-year-old Lebanese-born banker whose interests span several continents. Publicity-shy, as befits someone in his line of business, he manages to cultivate the mystique of banker to the super-rich.

His latest venture is the Safra Republic Bank which he launched exactly two

years ago in conjunction with Republic New York, another bank which he founded two decades earlier. Safra Republic, based in Luxembourg, marked his re-entry into the European market after his temporary withdrawal under a no-competition agreement with American Express to whom he had sold another of his banks, the Geneva-based Trade Development Bank.

Safra Republic began life with nearly $1bn of capital, of which Mr Safra himself put up $200m, Republic New York about $450m (in the form of its European businesses), and private shareholders a further $300m in an international share offering.

An early coup, which reinforces the sound image it cultivates

The bank serves Mr Safra's banking philosophy, which is to put safety above all else. In a rare press interview at the time of the launch, he said of his clients' attitudes: "It's not what money you might make but what you might lose."

Mr Safra scored an early coup by persuading Mr Peter Cooke to join his board. Mr Cooke, a former associate director of the Bank of England, was the man responsible for formulating the new international rules on bank capital, and his identification with Safra reinforces the sound image it likes to cultivate.

The bank concentrates on preserving a strong and liquid balance sheet, preferring to place its money on deposit in the money markets rather than lend it to corporations which might not pay it back. This means that customers probably get a lower rate of interest than they might at more aggressive banks – and probably pay higher fees, too. But it seems to be a formula that works.

According to Mr Jeffrey Keil, the president of Republic New York who sits on the Safra Republic board, the bank is ahead of its targets. It expected to have attracted $4bn of deposits by now but has actually pulled in $6bn. Of its total assets at June 30 of $7.2bn, only $1.1bn were loans, the bulk of the assets either being placed with other banks or in high grade securities.

Only about 6 or 7 per cent of the bank's clients come from the Middle East despite the popular perception that Mr Safra draws heavily on his personal connections in that part of the world. Nevertheless, the bank probably gained new business from the Gulf when Iraq invaded Kuwait. Republic New York, which specialises in trading physical bank notes, says it saw record demand for dollar bills in the immediate wake of the invasion.

For shareholders, the performance has been disappointing

But this highly conservative approach means that earnings have been disappointing. In the first six months of this year, the bank earned net income of $34m, representing a net return on equity of only about 6-7 per cent. For shareholders, the performance has also been disappointing. After an issue price of $57, Safra Republic stock has recently been trading in the low $40s.

Mr Keil says the bank expects to more than double this return by the time it becomes fully established. Future plans include the establishment of a fund management side.

David Lascelles
Banking Editor

Women and children, fleeing from Baghdad in Iraq, arrive by special aircraft at Frankfurt, West Germany

IMPACT OF THE GULF CRISIS

A safe bolthole for the use of Arab millionaires

PRIVATE BANKERS should be saying thank-you prayers for President Saddam Hussein. Iraq's invasion of Kuwait sent Arabs scuttling back to their private banks, particularly in Switzerland and London.

Many of these rich clients thought that the conclusion of the Iran-Iraq war meant it was safe for them to bring their money back to the Middle East. But since the start of the Gulf crisis in August, more than $8bn is thought to have poured out of the region and into the private bankers' coffers – enough to set the bankers slavering over the fees this will generate.

Naturally, what the Arab customers want is peace of mind. Private banks offer them a safe bolthole for their millions. But bankers report that their customers are showing a far keener interest in the Swiss banks and branches than in their London counterparts.

"They want secrecy and security, which is why they want to put their money with our Swiss banking operation rather than with our London office," says one of Mercury Asset Management's portfolio managers.

More important, though, Switzerland did not impose a freeze on private funds in the way that the UK government did. Mr Walter Hauser, senior vice president of Union Bank of Switzerland, remarks that Kuwaitis who escaped in the first few days of the invasion were unable to get their hands on their money in London to pay their hotel bills and living expenses. Fortunately, they were able to get hold of funds in Switzerland where their accounts were not frozen.

Islamic principles may lead portfolio managers to steer clear of companies with tobacco, alcohol, armaments or gambling interests

Some banks, like the United Bank of Kuwait, have found themselves holding the hands of their customers to a far greater extent than usual.

For the hundreds of Kuwaitis stranded in London on £5,000 spending money a day (the sum permitted by the Bank of England), the banks have had to advise on matters ranging from tax planning and rented accommodation to where they can learn English or send their children to school. UBK has been running a free helpline for customers, many of whom were on holiday in the UK at the time of the invasion and who are now watching the purse strings a little more carefully.

"We have advised them on how to extend their stay with the Passport Office, and alerted them to the fact that their tax situation could be affected by a lengthy stay in this country," says Ms Irene Owen of UBK.

But for the bulk of the Middle Eastern customers, the requirements are more conventional – namely asset management – though Islamic principles may dictate that the portfolio managers have to steer clear of companies with tobacco, alcohol, armaments and gambling interests. Hotels, which make profits from the bar (and sometimes from the casino) are also off-limits, as are western banks which make money by lending.

Mr Richard Duncan, who manages the trade financing division at Kleinwort Benson, looks after funds for both private and institutional clients from the Middle East. "Under Islamic law, the payment or receipt of interest is not allowed, and money is supposed to be put to productive use, funding trade and industry," he says.

So for its strict Islamic customers, Kleinwort Benson sets up trade-related deals. For example, say company A wants to sell goods to company B in Malaysia. The Islamic customer agrees to buy the goods from company A and then sells them on to the customer in Malaysia, generating a tidy turn on the deal.

Sara Webb

Sara Webb looks at the problem of attracting clients

How to find new customers as regulations get tighter

IN THE old days, the private bankers will tell you, people could walk in off the street with a suitcase full of crisp notes and bank it, with very few questions asked.

Now, despite the fact that private bankers are eager to woo new customers, they like to give the impression of being a lot more choosy. Private bankers are rather sensitive about their image these days. They do not want to be associated with drug dealers and tin-pot dictators – it is not good for business and in many of the world's banking centres it carries the risk of a prison sentence for the banker as well as the criminal.

Associating with tin-pot dictators is not good for business

So new customers are usually asked for bankers' or lawyers' references, and a cheque or draft is preferable to dollar bills. As one banker put it: "I've got to know all about you if you want to be my client – who you are, your business, your needs, whether you have kids, and what would happen to your money if you dropped dead tomorrow."

Furthermore, your banker will need to know what currency you think or dream in, and whether the money you want managed is for short-term or long-term investment.

Some, like Lazards, will turn you away if you have less than £1m to invest. Others will tactfully suggest you could do better in unit trusts. But usually if your funds are not sufficient to warrant individual attention, the manager will put them into a pooled fund for you where they will be managed alongside those of other high net worth individuals.

However, the private banks do not necessarily find it easy to attract the new wealth generated by tax cuts and entrepreneurial flair in many parts of the world. The problem when it comes to attracting new business is that the class of customer private banks wish to woo generally does not respond to mailshots and heavy advertising.

"It's very hard to go out and advertise," says Mr Stuart Webb of Lazards. "Our problem is how to reach the man in the street. If we are looking for someone with at least £1m, he is not going to be the sort of person who tears off a coupon in a newspaper."

In fact most new clients result through recommendations from existing clients and possibly from contact with the bank's other business associates, for example lawyers, accountants and advisers working in the mergers and acquisitions division. The latter may suggest that the chap who has just sold out of his small business hand over his new-found wealth to be managed by the private banking arm.

"Someone with £1m won't tear off a newspaper coupon"

Mr Paul Brown, director of private banking at Lloyds Bank, says that 90 per cent of his new customers come from the existing client base. "It's a referral business. You don't take them off the street because it is not worth one's image to do that. One can never be 100 per cent sure that they are clean."

A clean bill of health from the customer has become more important following the tightening up of regulations in many banking centres. Switzerland, once renowned for its secrecy, co-operated in the recent past in blocking the Marcos accounts. Dictators are no longer good for business because of the adverse publicity they attract when they fall from grace.

Business is coming from Japan and the Tiger economies

"We're not interested in African dictators, it is bad for our name," says Mr Georges Vergnion, head of Swiss private banking at Chase Manhattan Bank. In fact a law came into force on August 1 stating that Swiss bank employees who do not check up on their customers' credentials can be put in prison for up to three years if it subsequently turns out that their money stems from criminal activities.

Drug dealing and fraud count as criminal activities, but in Switzerland and Luxembourg, tax evasion does not. Some of the big US names based in these countries still refrain from advising clients on how to cheat the IRS, but the Swiss and Luxembourg banks have no qualms and do not see why they should act as the "moral police" for the tax authorities.

"We live in a society where the power of the state is increasing so I am not shocked at the pockets of resistance and I do not think it is the task of the banks directly to help the authorities to make sure people pay their tax," says Mr Damien Wigny, executive director of Kredietbank in Luxembourg.

Whatever the tightening up in regulations may mean in terms of losing crime-related business, bankers seem confident that there is a large pool of high net worth customers "out there and waiting to be tapped". Their present clientele consists mainly of the "old wealthy" and entrepreneurs in the US and Europe, as well as the wealthy Arabs. While these customers will continue to demand individual attention in the banking and investment management field, many bankers expect to see an increasing share of the new business coming from Asia, in particular from the Tiger economies and Japan.

The Japanese are turning to private bankers with their new-found affluence. "Before, it was the south Europeans who used to come to Switzerland with their suitcases of money: now it's the Japanese," says one US banker.

But it could be a while before the eastern European countries throw up a host of entrepreneurs eager to make their fortune now that they are free from the shackles of communism. "In 10 or 20 years, I wouldn't rule out the possibility of having some rouble millionaires," says Mr Vergnion of Chase Manhattan. Perhaps that is fitting for a bank which has a branch in Karl Marx Avenue, Moscow.

PRIVATE BANKING 4

Karen Zagor, in New York, finds the US market is still confident

'The wealthy do well in a recession'

WHILE THE immediate future looks increasingly bleak for major US money centre banks, with loan-loss provisions growing apace and a recession looming on the horizon, the private banking sector seems remarkably healthy.

"Private banking is one of the few bright spots of the industry," says Mr John Hover, senior vice president of US Trust, a leading institution in the US market. "The prospect of a recession is worrisome, but the market is less fragile than other areas of banking."

Part of the reason for this confidence is the prevailing belief that the wealthy fare better than the overall population in times of recession.

"The 1980s was a period of unprecedented growth," says Mr Hover. "It will be harder to expand at the same rate, but we will continue to grow."

The sector has expanded very quickly in recent years – it is estimated that the number of American households with net worth of more than $1m, excluding primary residences, has grown 36 per cent to 1.5m in the past two years – and the banks believe there are still untapped sources of wealth.

The potential benefits of private banking are enormous. The average retail bank customer is said to generate about $500 in annual pre-tax profit compared with about $5,500 from a private banking client.

In general, private banking clients are charged an annual fee of 1 per cent of their assets under management, plus fees for transactions and services.

There is no simple definition of private banking in the US, but the area is summed up by the American Bankers Association as "some deliberate programme to attract and serve the affluent-individual market."

The range of services offered by private banks includes portfolio management and other forms of investment counselling, reorganising bill-collection systems, renegotiating leases, revising wills and helping clients with other personal financial matters.

As in Europe, private banking in the US started as an exclusive service provided by exclusive banks to help the wealthy manage and maintain their wealth. Establishments such as JP Morgan and US Trust have relationships with some families that span more than 100 years.

Although the older institutions cater predominantly to old money – which in the US means at least three generations worth – the bulk of American wealth created after the Second World War came from the achievements of entrepreneurs, according to Mr David Gibson, group executive in charge of Citibank's world-wide private banking.

Last year Citibank, which has one of the lower entry level minimum deposit requirements of the US private banking sector, had assets under management of $59.4bn, up 15 per cent from 1988.

As the number of so-called high net worth individuals multiplied, particularly in the boom-days of the 1980s, commercial banks moved into the market, attracted by the prospect of cashing in on *nouveau riche* American business fortunes. Citibank, Chase Manhattan and Bankers Trust are just a few of the big names that now offer private banking services.

The commercial banks have established a niche for themselves by fostering clients from the moment they show signs of attaining wealth.

Some banks even have an unofficial client wealth/life cycle table, breaking the stages down into wealth creation followed by enhancement, preservation and – rather euphemistically – disposition. In many cases, banks may decide to take on a client based on their potential for wealth rather than insisting the clients meet a minimum net worth.

Though there is no simple definition of US private banking, it serves affluent individuals

Commercial banks tend to view themselves as offering one-stop services to their private banking clients. One of their strongest selling points is that they can lean on their non-private banking services to offer a vast array of conveniences, products and services; these can range from such mundane extras as bank machine cards to more complex services such as international currency and interest rate swap transactions.

US private banks, particularly the divisions of big commercial banks, have placed a heavy emphasis on the extension of credit as a major source of business.

The entrepreneurial climate in the US partly explains this trend – since the money is often used to support new businesses. An added attraction is that the banks can charge as much as two points above the US prime rate. In comparison, when banks lend to companies, they can charge only a very slight premium of what they pay for funds themselves.

"Citicorp in the US started its high net worth individual services in the late 1970s, when we realised that a lot of entrepreneurs did not have extensive bank support," says Mr Gibson.

"Citicorp itself is viewed as an entrepreneurial institution," says Mr Gibson, "and entrepreneurs identify with Citicorp."

In general, the commercial banks have catered to the new wealth, while the old money has remained loyal to their traditional bankers. Prohibitively high entry fees, as much as $5m at JP Morgan's private banking unit – Morgan Guaranty Trust – have helped the traditional players remain exclusive. But this has started to change. US Trust, for example, no longer sets a $2m net worth minimum for clients despite its blue chip image.

"We are interested in broadening our market and are starting to look at newer wealth," says Mr Hover. "We avoid minimum numbers now." US Trust's discretionary assets under management as of June were $18.2bn, while total assets in house, custody and corporate custodial amounted to $143bn.

The commercial banks, for their part, have tried to mould themselves in the traditional image, concentrating on such intangibles as discretion and fostering client trust.

But this is not a purely competitive environment, since the wealthy usually have more than one private banker. "We are always going to be sharing clients," says one private banker.

Some observers believe that the commercial banks face their strongest competition from brokerage outfits such as Merrill Lynch.

"The job of the traditional private bank is to manage and preserve assets," says Mr Arthur Urchuoli, senior vice president and director of Merrill Lynch Pierce Fenner Smith. "Securities and investment firms play a leading role in the management of active wealth." Merrill Lynch has $350bn client accounts in the US, of which some $10bn is managed on a discretionary basis.

As the US economy weakens, the emphasis in private banking is shifting away from lending. Private bankers say that demand for loans is dropping as their clients prepare for a recession instead of gearing up for growth.

With private banking becoming increasingly competitive, some banks are considering a rather unorthodox approach to getting new clients – advertising and marketing rather than relying on word of mouth, friends and advisers to steer potential clients towards their doors. US Trust, for example, has advertised in the past and plans to launch a new campaign this month.

Profile: why global giant CITIBANK is active in the field

Once, a relationship began with a kiss...

IN THE past dozen years, a new kind of private banker has emerged. Driven by a new generation of "wealth creators", commercial banks have entered the field and are changing it. In the past, a client's character was paramount. But now, the other elements of the "five Cs" of capital, credit, cash flow, collateral and capacity have emerged and are united in a judicious blend of private banking services that appeals to many of the Europe's new wealthy.

Global giant Citibank is an illustrative case. With $68bn in assets now under management by some 3,900 employees world-wide, Citibank's private bank got its European start in Switzerland in 1971.

"Most of the world's wealth has been created since the Second World War," says Mr David E Gibson, group executive who has been head of the Citibank private bank since late 1985. The European portion of this aggregate wealth is now significantly liquid for three reasons: the effects of an eight-year global boom in which equity assets grew some 300 per cent; the retirement of a generation of entrepreneurs who founded European businesses after the Second World War; and consolidation to take advantage of economic unification in 1992.

In the US and Japan, where capital markets are well developed, stockbrokers tended to accommodate this new wealth. But in Europe, where capital markets are still fragmented and legal systems vary, it is the private banker who serves as the bridge between the capital markets and the rich.

In Europe, private banking has special challenges. "Canon (by fiat) law does not keep pace with the business environment as well as the common (by precedent) law system," says Mr Gibson. "We spend a lot of time trying to adapt Anglo-Saxon legal notions such as trust law to a canon law or Napoleonic system to give people in canon law countries an opportunity to protect and preserve wealth."

The evolution of Citibank as private banker was a natural one. In the late 1960s, certain patterns of customer behaviour pointed the way. Entre- preneurs who initially had business accounts began to ask for personal financial accommodations as their businesses grew. Consumer banking specialists, among them Mr John Reed, who is now Citibank's chairman, saw the growing global liquidity and the emerging class of new and wealthy entrepreneurs. They concluded that a number of the bank's activities such as bond sales and large personal loans were aimed at the same target market – high net-worth individuals.

The bridge in Europe between the capital markets and the rich

"When John became chairman in 1984, he saw the demographics of the new wealth emerging, and recognised the value of a global consolidation of private banking," says Mr Gibson. In late 1985, the Citibank private bank was formed and now has offices in Zurich, Geneva, Lugano, Frankfurt, Paris, Monaco and London. There are also "on shore" entities in France, Germany, Italy and Spain which were established in 1988.

According to Mr J. Eric Daniels, a division executive who is head of the Citibank private bank in Europe, "the purpose of these private banking branches is to get closer to the obvious European centres of individual wealth."

Somehow, it is hard to associate a vision of an accommodating private banker with the world's most aggressive commercial bank. "American commercial banks do not offer services in ways that clients experienced with private banks expect," says Mr Eric Kaufman, a New York lawyer with Kaufman & Kaufman who specialises in corporate law and services for high net-worth individuals. He also says that commercial banks push for a complete relationship very quickly.

"Some years ago, relationships began with a kiss, and later, much later, they developed," Mr Kaufman recalls. "Now, commercial banks want to go bed immediately." He says that commercial bank presentations can end up looking like a bait and switch (a method of consumer deception using attractive advertising to lure the customer in, then disparaging the advertised product, and selling a more expensive one). The client is brought to nicer offices than commercial banks normally have, and is offered a nicer lunch.

"But commercial banks end up showing you a menu of services that many rich people don't need or want," says Mr Kaufman. "And they want all of your business immediately."

These differing views result from different expectations about what customers expect of a private bank. From a series of intensive and continuing market surveys, Citibank knows that much of individual wealth has been newly earned, not inherited. Mr Daniels knows that demand for private banking services begins when someone has some $1.5m in fungible assets excluding a principal residence. He knows too, that many potential clients do not consider themselves wealthy. What is Citibank's appeal?

"Commercial banks show you a menu rich people don't want"

Like many of its clients, Citibank also made its mark after the Second World War. Many of Mr Daniels' clients became wealthy using Citibank. Many more of the post-war new rich identify strongly with Citibank's entrepreneurial skills. How does Citibank deal with them?

"A client may tell us he wants to speculate in Greek drachmas because the interest rates are just out of this world," says Mr Daniels. "We will be happy to do that transaction, perhaps warning him that because his reference currency happens to be sterling, it may or may not go up or down depending on the drachma and the UK economy."

But if the client asks, or is well known, Mr Daniels' private bankers may advise him not do the trade because the current risk is too high. They may also tell him there is a better opportunity elsewhere, in Swedish kronor for example.

The advantage of Citibank is its 91,000 employees who are not private bankers, but whose collective knowledge and transactional expertise private bankers can presumably tap for their clients. Mr Daniels readily admits this is a challenge, but that the advantages of his vast global banking network outweigh the disadvantages inherent in dealing with a large organisation. "I think we are getting pretty good at harnessing the global nature of Citibank to see that our products are client-friendly and delivered through our private bankers who are relationship managers," he notes.

As unappealing as this may sound to those who dream of a single private banker who can solve all problems, the financial world is far more complicated than it was even 20 years ago. It should not be surprising that private banking, particularly in Europe where it was born, is changing.

Desmond MacRae

William Dullforce on the pressures facing the Swiss

Advantages may slip away

LOOKING AFTER the fortunes of rich foreigners has been a Swiss speciality for at least two centuries. The Swiss continue to hold the high ground in private banking, although their supremacy has been challenged over the last decade.

Foreign banks, released by the relaxation of exchange controls, have been trying to carve out shares of a fast-growing business providing regular commission income with low capital exposure. They have certainly intensified the competition but their success has been varied and less than spectacular.

The inflow of funds reported by Swiss banks in the past two months, since the Iraqi invasion of Kuwait, attests to Switzerland's continuing standing as the first safe haven to which wealthy individuals turn in turbulent times. The Swiss franc's recovery from last year's period of weakness was also a nicely timed incentive.

For decades the Swiss enjoyed an impressive mixture of comparative advantages in private banking – internal political and monetary stability and a sound economy combined with neutrality, the absence of exchange controls and, above all, bank secrecy.

These features added up to a powerful magnet for people seeking to secure their wealth against inflation, currency depreciation or what they regarded as punitive taxation in their own countries.

Changes in international banking, economics and politics in the 1980s have been chipping at Swiss comparative advantages. Banking deregulation in other countries has levelled the playing field. Politically and economically, the Swiss are having to conform to foreign standards and practices, especially those being put in place for the European Community's single market of 1993.

Under international pressure Switzerland has started to abolish cosy price-fixing arrangements among its banks, which helped to boost earnings, and has introduced laws on insider trading in securities and on money laundering which have eroded its banking secrecy – although the core of the secrecy, the refusal to regard tax evasion as a criminal offence, remains intact.

In contrast, rivals, such as Austria, Luxembourg and Singapore, have enacted legislation improving the discretion offered to clients.

Nevertheless, consultants, such as McKinsey and Arthur Andersen, called in amid the turmoil of the 1980s to plot the future for Swiss banks, agreed that their particular strength would continue to lie in international asset management.

Switzerland is still the only real international asset management centre along with London, according to Mr Jean Bonna, partner in Lombard, Odier in Geneva, a private bank in the original sense where the partners accept unlimited liability.

Mr James Galbraith, general manager for the international private banking operation of Lloyds, the UK clearing bank, concurs. It made sense for Lloyds to centre the operation on Geneva, because Switzerland is the acknowledged home of private banking and the skills are there, he says.

Since the very nature of the business prohibits the collation of reliable statistics, these assertions can be backed only by informed estimates. The one most commonly cited is McKinsey's calculation, which dates back to 1987, that assets valued at SFr1,300bn to SFr1,500bn

Tax evasion is not regarded as a criminal offence

($1,000bn-$1,150bn at today's exchange rates) were deposited in Swiss banks.

Between a quarter and a third was thought to be domestic business for Swiss citizens or foreigners living in Switzerland. The remainder on foreign account was estimated to amount to between one third and a half of the worldwide offshore asset management market.

Some foreign bankers cast doubt on McKinsey's ballpark figure which, they argue, covers institutional funds and liquid assets of big corporations under management in the banks. But Swiss bankers insist that private individuals would own the large bulk of the assets included in McKinsey's estimate.

Asset management "probably" generates a good third of Swiss banks' income and grew at a compound annual rate of 10 per cent during the 1980s, according to Mr Bonna. Such figures explain why foreign banks are eager to obtain a share of the pie.

Yet, although foreign banks are thick on the ground, Mr Bonna, following McKinsey, puts their share of assets under management in the Confederation at only between 5 and 10 per cent. The lion's part, between 40 and 50 per cent, is with the three big banks, Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse.

The truly private banks, run as partnerships, are thought to hold between 10 and 15 per cent. A similar share is calculated to belong to private banks which have gone public, such as Julius Baer and Vontobel in Zurich.

Few banks disclose the size of their operations. Lloyds said that at the end of 1989 it had 31,000 clients worldwide with almost £7.3bn ($13.7bn) in assets, up from £5.1bn at the end of 1986. Mr Galbraith believed that Lloyds came near the top of the second division but it would have to make a "quantum leap" to reach the top 10.

Pictet and Lombard, Odier each say that they manage assets worth more than $20bn. The portfolios at each of the three big banks would be counted in the hundreds of billions of dollars.

The paucity of the information makes it difficult to gauge profitability. One recent comparative study found that the average personnel costs of 24 private banks were twice as high per employee as those of the five biggest banks. But so was their cash flow while net earnings per employee were more than 130 per cent higher than those for the big banks. The comparison is unfair because the big bank figures were based on their total personnel costs, including those in commercial banking, but it does at least demonstrate the superior profitability of private banking.

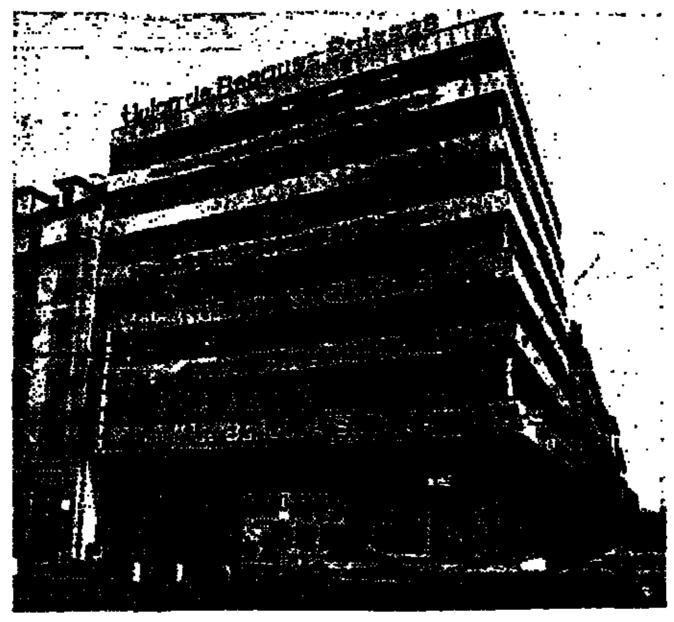
Swiss private banking operations vary in size from the one-man-plus-secretary boutique providing investment advice for customers with perhaps a total of SFr100m on deposit in the banks to that of UBS which has some 1,000 portfolio managers, of which about half are based in Zurich and Geneva.

Clearly, the organisational requirements vary enormously. UBS portfolio managers work in teams, usually one senior and two juniors, with each team handling 300 clients or more. But the team acts within a larger unit, so that three or four specialised managers are always on call when a client is received.

A UBS investment committee sets broad guidelines indicating a rough allocation between money market, bond and equity holdings, preferred currency exposure and a list of approved stocks. If the committee decides to sell a stock, in which it considers its clients have become over-extended, managers are set a time limit to react – and the response is controlled by computer.

Currently, most Swiss banks say they need a minimum of SFr2m to design and run a fully diversified portfolio. At least 5 per cent of a portfolio needs to be allocated to any one country, a Credit Suisse manager explains. "With anything lower than SFr100,000 per country, the client would do better with a mutual fund."

Some banks set a lower limit of SFr500,000 for running an account on a discretionary basis; others go as low as SFr250,000. At this level clients are increasingly advised to place their assets in mutual funds. Swiss banks have been busily launching new funds, most of them based in Luxembourg, a rival financial centre, for tax reasons. Lombard, Odier manages more than $1bn of private money through funds and the proportion is growing rapidly.



Switzerland's three big banks, Union Bank of Switzerland (Geneva office, above), Swiss Banking Corporation and Credit Suisse have the lion's share of assets under management

Three characteristics are usually cited as distinguishing Swiss private banking practice.

● First, it aims primarily at preserving clients' capital. The target for capital growth is to match inflation and, if possible, add a couple of percentage points. Clients are not encouraged to take risks.

● Second, even in the big banks, private banking is partitioned from the commercial operations. Unlike the Americans, the Swiss do not see portfolio management as a way of promoting lending. Some will lend to a client to help him leverage up a stockholding but only against firm collateral.

● Third, from the one-man boutique to UBS the Swiss believe they possess one outstanding advantage – superior service. "The quality of our services is a cut above that of our competitors' as regards the personalised relationships with our clients, execution of orders and administrative services in general," Mr Bonna says.

Developing and maintaining long-standing relationships is seen as essential in dealing with wealthy individuals because Switzerland no longer possesses unique advantages in political and monetary stability and banking secrecy. Moreover, Swiss bankers currently have problems both with their own government and in adjusting to the competition from abroad.

At home the stamp duty on securities transactions, over which the banks have been fighting Mr Otto Stich, the finance minister, for the past three years remains in force. That, together with the 35 per cent withholding tax on investment income, is one reason why Swiss banks are transferring so much business to rival centres abroad.

Fiduciary deposit operations – in which a bank for a fee executes transactions in its own name but on behalf of, and at the risk of, clients – are used to help foreigners avoid the withholding tax. Most go into Luxembourg-based money market paper, time deposits or Eurobonds.

The Cartel Commission's recommendation that the banks abandon their price-fixing agreement on securities transactions could halt churning – the practice in which some banks multiply transactions to boost income from commissions. It could also accelerate the movement away from trading-generated income towards management fees.

In a slightly longer perspective, the advent of the European Community's single market raises some important issues for Swiss private banking. From a favourable aspect, the pressure on Switzerland to revise its present restrictive laws on the employment of foreigners could help the banks to meet their shortage of skilled personnel.

More negatively, Swiss bank secrecy could indeed be threatened if the Community ever resolved its own differences over the cross-border transfer of information on taxes and then looked for compliance from Switzerland.

Alan Friedman, in New York, profiles BANKERS TRUST

Emphasis put on money management

BANKERS TRUST makes no bones about its target market in private banking. Unlike traditional managers of old money in the US – such as *Morgan Guaranty* and *US Trust* – Bankers Trust says it is principally after "new-line" wealth.

Mr Neal Finnegan, the affable Bostonian who is head of the private banking division at Bankers Trust, says that "a creative and accessible company with global resources would better describe what we are about than the more white shoe and old money image." Indeed, the minimum amount of liquid assets needed to open an account at Bankers Trust is a mere $1m, compared with twice or even five times as much at the Old Guard institutions.

Aside from a certain willingness to go after the nouveau riche customers who have emerged over the past decade, Bankers Trust likes to distinguish itself from its competitors on the grounds that its overall merchant banking emphasis provides a range of sophisticated products and services. These go from currency hedging and interest rate swaps right through to merger and acquisition capabilities for the wealthy entrepreneur.

Bankers Trust itself has undergone a radical transformation over the past 10 years, abandoning its 103-branch retail banking activity and concentrating on capital markets, corporate finance, emerging markets, information services, fiduciary services and money management. Private banking is the only retail business left at Bankers Trust, although Mr Finnegan insists it is compatible with the rest of the merchant bank.

Since 1985 the total private banking assets under management at Bankers Trust have grown from $8.6bn to $12bn, while total assets under administration have jumped from $14bn to $24bn.

The difference between those assets under administration rather than under manage- ment refers to *funds that* are *mainly held in* a deposit-taking or custodial role.

> **"We then send a sophisticated person to break through their indifference"**

The average amount of assets under management among the 3,000 US clients and 3,000 overseas customers is $4m to $5m. Some 60 per cent of the funds under management are in US dollars and 40 per cent in other currencies; Mr Finnegan makes much of the fact that Bankers Trust has operations *in 31 countries that can* serve the internationally investment-minded customer of his private bank.

He says that since getting out of retail banking Bankers Trust has moved "from being a bank that offered money management services to being a money management company that also offers banking services".

Normal lending activities are less frequent among the private banking clients at Bankers Trust than they would be among those at a Chase Manhattan or Citibank, whose clients in any case tend to have a smaller net worth. The total assets of the private bank at Bankers Trust amount to around $3bn.

The path to new customers at Bankers Trust is often a *rather tortuous exercise in* financial and social sleuthing by one of Mr Finnegan's 27 account originators. A typical technique is to read an article in Forbes or Fortune about a wealthy entrepreneur who has just sold a company and then find out who he (or she) banks with.

"We try to get close to people and identify their interests and needs. We then send a sophisticated person to try and break through their satisfaction indifference.

"In some cases we become the second private bank to someone already involved in a relationship and in other cases we are poaching," Mr Finnegan explains, adding that this Sherlock Holmes approach is only used for clients who have tens of millions of potential funds. Yet something like half of Bankers Trust's new clients are brought in by this method.

> **"With infirm, wealthy old ladies, our involvement in well-being goes right up"**

Mr Finnegan says that his fees tend to be about the same as other private banks: "There is no equation that allows you to be the best, the most responsive and the cheapest. So we have the first two as our primary goals."

The fees are, as one would expect, substantial. A customer with a $1m investment account would pay an annual $10,000 portfolio management fee plus a $1,000 administrative fee. For a customer with $10m under management the fee is $54,750.

A number of Bankers Trust customers made their money in the 1980s and Mr Finnegan stresses that while his model is European, he has little call for the ultra-secretiveness of a Swiss bank or the personal service of a Coutts.

"We do very little dog-walking or buying of theatre tickets here, but I can promise you that if we have an infirm, wealthy old lady then our involvement in her well-being goes right up," says Mr Finnegan.

Instead, Bankers Trust likes to offer clients a high-tech array of global services, starting with basic risk management techniques and then taking advantage of the balance sheet strengths of a larger money centre bank and its international network.

The target market is therefore not only among successful entrepreneurs, corporate executives and individuals with family wealth, but also among those who require services for personal cross- border money flows.

It is hard to say how profitable the Bankers Trust operation has become since Mr Finnegan pressed forward with an expansion programme after joining in April 1988 – the bank declines to break out its earnings from private banking. But the sums under management are clearly respectable and support a staff of 1,000 people, of whom 250 are oriented to international clients.

Latsis bank in London

Beginning business in a big way

Chris Ball, chief executive of the Latsis family's London-based Private Bank & Trust Company

Ashley Ashwood

WHEN THE wealthy Latsis shipping family launched the Private Bank & Trust Company in London just over a year ago, it caused quite a stir in private banking circles.

With £100m in capital, the company was the largest new bank ever formed in the UK, and its size seemed rather excessive for such a specialised market, even allowing for the fact that the Latsis family was out to make an impact.

A year later, it is still too soon to make any judgments about whether that was the right course – the bank is only just emerging from the formative stage. At its sumptuously appointed offices in London's Berkeley Square, Mr Chris Ball, the chief executive, says: "Our brief is not to make a lot of money very quickly. But we are very confident about the prospects."

Apart from its large size, what distinguishes the bank is that it aims its services less at rich people who want someone to help them manage their money than at people who own or manage their own businesses and want an active banking partner – what Mr Ball calls "the fundamentally interesting person". In its first year, it claims to have turned away 80 to 90 per cent of would-be customers because it did not think they would bring enough *business*, or because it could not see the prospects for a flourishing relationship.

> **"Our brief is not to make a lot of money very quickly"**

Because of that, the bank has developed a sophisticated back office operation, and has installed a dealing room and other facilities so that it can handle a wide range of banking services, from straight loans to complex deals in the money and currency markets. A new fund management division is being set up where the emphasis will be on long-term investment.

There is an associate Latsis bank in Geneva, and the private bank itself is opening up in Athens and at another location on the Continent. The bank has a staff of 44 people who joined from other institutions such as Lloyds Bank, Barclays Bank, Morgan Stanley, James Capel and Bank of Nova Scotia. The total is expected to rise to 75.

So there is both expertise and, thanks to its capital, substantial lending power. "We're really a private merchant bank," says Mr Ball, who came from a background in Baring Brothers and Barclays Bank.

He will not say how many clients he has signed up in the *first year*. But *about half of* them came from word of mouth or through personal connections. Many of the others were disillusioned customers of the big clearing banks. Some were too small for the large merchant banks. The amount of business that comes directly from the Latsis family is minimal, he says.

Clients include a property developer who is converting a convent into residences, the owner of a high quality dress hire business, a family business *which imports office* equipment from Japan, and a company which produces electronically-controlled signs. About half the clients are from the UK, according to Mr Len Kingshott, the executive committee member in charge of banking.

In its first year, the private bank made about £42m of loans. The smallest was £25,000 and the biggest £10m, with £5m being a typical size. Its deposits amounted to £143m, meaning it has plenty of leeway to increase the loan book, though Mr Ball stresses that loan policies are cautious. Fees are also quite hefty: this is not a bank for cheap or mass-produced services. Nor is it a bank which will fix theatre tickets for its customers or arrange to have a chauffeur pick them up at the airport. "Our clients are business people", says Mr Ball.

> **The amount of direct business from the family is minimal**

David Lascelles
Banking Editor

London has been - with Switzerland - Europe's leading centre for two centuries, writes **David Barchard**

Where only interesting customers need apply

AFTER SWITZERLAND, London is probably Europe's private banking capital, and has been in this position since the French Revolution brought a stream of aristocratic customers from abroad to Coutts and other London banks two centuries ago.

London's attractions as a cultural and financial capital bring a stream of wealthy customers from abroad, while few other centres can offer a comparable range of banking and financial services. On top of this, the UK in the 1980s has become something of a tax haven by international standards.

At one end of the market are a handful of banks going back to the 16th and 17th centuries, and catering for old money. At the other are the asset management operations of the large banks, with international customer bases and relatively little interest in bread-and-butter personal customer "boudoir banking" of the sort that revolves around upmarket cheque books and current accounts.

Both ends of the market are growing rapidly. Barclays, the largest of the Big Four clearers, is in the process of expanding its London offices, and last week bought Merck, Finck, a blue chip German private bank.

At the upper end of the market, Lloyds and Barclays operate banking operations which are aimed at the super-rich, interested in asset management and security. To join this club, you will need perhaps £500,000, perhaps more.

"If you have £200m or so, you are not just interested in the interest rate, you really want to go for safety and a bank with a strong balance sheet," says a Barclays private banker.

Introductions, as in all personal banking, tend to come from personal contacts. There are rigorous screening processes for would-be customers. Charges are likely to vary in inverse proportion to your wealth. "If a customer is keeping a million pounds in his current account, and some do, he will not expect to pay transaction fees," says one banker.

At this end of the market come wealthy expatriates, who may expect their bank to provide a wide range of additional services from buying theatre tickets to making hotel reservations, or even keeping a friendly eye on their children at boarding school, or buying and managing properties.

Charges for such services are again variable. The more interesting your account, the less you will pay. A demanding customer who is not bringing the bank a lot of business may find himself or herself paying around £120 an hour for a bank's assistance.

"Trust comes when you can demonstrate expertise in a number of areas. Customers are often very astute, but they haven't got the time to sort out their own affairs and let us do it for them. They value the relationship and they become a friend of yours with total trust in you," says Mr David Holmes, general manager of Lloyds International private banking operation in London.

At this end of the market, an account executive will often fly to talk with a customer. Prized British customers are captains of industry and new entrepreneurs.

Charges are likely to vary in inverse proportion to your wealth. The more interesting your account, the less you will pay. And all the banks seem to agree that the Gulf Crisis has brought a fresh influx of Middle Eastern private banking business in the last two months

The mid-corporate market and private banking tend to go hand in hand: the customer who wants private banking services and portfolio management for his own assets may also need the skills of a corporate finance department.

"The UK client will come to you on a wider range of financial matters. He may want advice on PEPs (personal equity plans), BES (business expansion schemes) or whatever," says Mr Holmes.

Banks seem to disagree about the extent to which they are providing services for the passive wealthy customer.

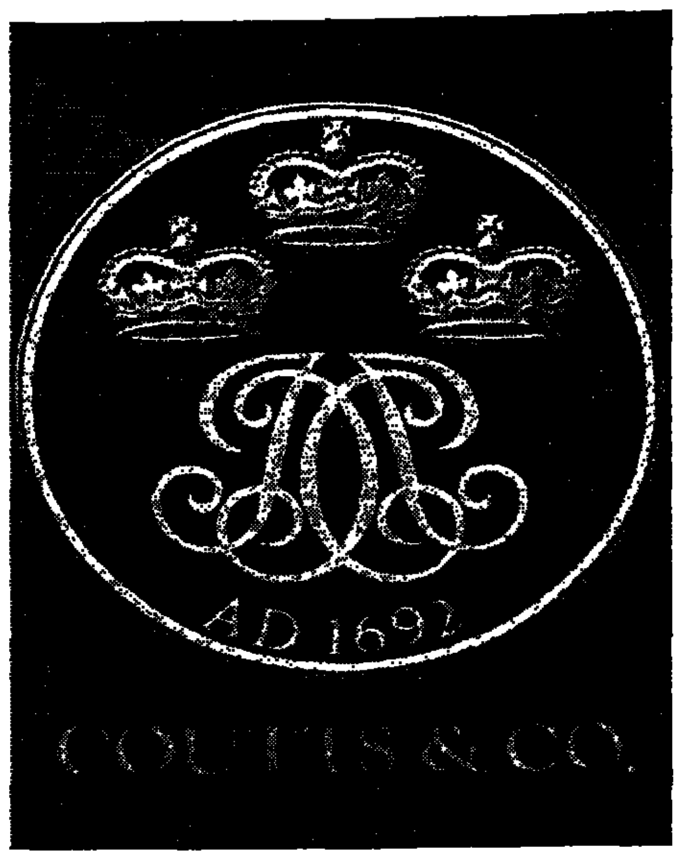
At the personal banking end of the market, Coutts, the private banking arm of National Westminster Group, is by far the best known player in the market with about 45,000 customers.

"Things are going our way," says Mr Warwick Newbury, general manager, adding that the arrival of new players in the market has not hurt Coutts at all. In the first half of this year, profits were up by 40 per cent.

"We do have the advantage of combining a tradition of good service and the financial muscle that membership of the NatWest Group gives us," says Mr Newbury.

Coutts is well respected by its competitors in the same market segment. These include Child & Co, the London private banking arm of the Royal Bank of Scotland Group, which also has extensive private banking operations outside the UK and Hoare & Co, perhaps the most venerable presence in the industry. All report a steady growth in the number of their customers, suggesting that they are feeding off an expanding market.

There are also some newcomers. For example, Samuel Montagu & Co, Midland Bank's private banking operation, was launched in February this year in premises in Old Broad Street, London, and is aimed at upmarket personal customers from the British market, who want services grouped around a current account.



Part of the National Westminster Group, Coutts is the best-known player among London's private banking fraternity

"Mere wealth is not the criterion I am looking for," says Mr Marcus Gregson, chief executive of Samuel Montagu & Co. "We are plainly symbiotic to the group's corporate bankers and corporate financiers."

Midland already has Guyerzeller, a private banking operation in Switzerland. Mr Gregson admits that his operation might be called "boudoir banking", but says: "If we send flowers, we do so as friends and not as bankers. I am rather distrustful of gracious institutional personal services. I hope whatever we do is sincere and not vulgar."

Asset management is handled through Greenwell Montagu.

One delicate problem for all private bankers is finding customers. "The more you advertise yourself, the less your customers like it," says a director of Child & Co. His bank is able to draw on customer relationships going back to the time when the Stuarts were on the throne of England.

While such customers as Oliver Cromwell, Samuel Pepys and Nell Gwynne have necessarily closed their accounts (though Nell Gwynne still owes the bank money), some institutional connections persist. Child & Co includes the University of Oxford and many legal practices among its customers.

The criteria for joining the personal banks are much less exacting than those of the asset management operations for the very wealthy. Coutts will take customers who have more than £50,000.

Child & Co says it does not have wealth criteria. "But to bank with Childs you have to want to do so. There can be certain disadvantages. To make it value for money, you have got to be doing things. On our side we are looking for customers who are interesting," says a director of the bank.

Political stability is an important ingredient of London's role in the private banking market. All the banks seem to agree that the Gulf Crisis has brought afresh influx of Middle Eastern private banking business in the last two months – the latest in a series of political upheavals overseas since the French Revolution which have contributed to the private banking industry.

Apart from the specialist Arab banks, merchant banks such as Barings, Robert Fleming, Morgan Stanley and Schroder Asseily, are popular with Middle Eastern customers wanting sophisticated asset management services. Other requirements tend to be a West End branch presence and a range of retail banking products.

Among the young generation of Saudi customers, non-interest bearing accounts are becoming increasingly popular. Credit Suisse First Boston and Kleinworts have both developed products to satisfy this market.

Sara Webb looks at the duchy that tries harder

It's less grand in Luxembourg

LUXEMBOURG'S private bankers are a sensitive lot: they cringe at the inevitable "poor cousin" comparisons with Switzerland, but they cannot disguise the fact that their clientele is somewhat different from that of the Swiss banks.

"We deal with ordinary people, the man in the street, whereas the super-rich use Switzerland," says Mr Damien Wigny, executive director of Kredietbank.

"If you go to Geneva, you see the private jets at the airport, and the banks collect their customers from the airport. Here, people come by car or train," adds Mr Jean-Donat Calmes, senior executive vice president of Banque Internationale à Luxembourg (BIL). The inferiority complex has, as one banker puts it, "made us – like Avis – try harder."

Luxembourg prides itself on being a private banking centre for Europeans. "The Arabs hardly know us – they use Switzerland," says one banker.

In fact, the clientele consists mainly of Belgians, Dutch, Germans and French using Luxembourg as an offshore centre. In many cases, they have other investments at home – such as real estate and shares – but use Luxembourg as an offshore centre for stashing away deposits and other anonymous forms of investment such as bonds.

The ordinariness of Luxembourg's private banking character has perhaps been shaped by that legendary creature, the Belgian dentist.

Eager for a secret haven for their savings, the Belgians (dentists and others) hopped on the train or into their cars for a short trip to Luxembourg and a day with their banker.

What they wanted was a safe place for their money, a bank which would not spill the beans to the Belgian tax authorities, and complete anonymity. They did not want a bank which would keep in touch by sending them statements or telephoning them at home. Their savings were usually put into bonds and term deposits, and spread over a range of currencies.

If pushed to define Luxembourg's character, its private bankers still adhere to the view that their services are predominantly currency and deposit-oriented.

According to Mr Wigny, "today, the Luxembourg banks specialise more in currency investment advice. The natural clients, those within easy reach of Luxembourg, such as the Belgians, Germans, French and Dutch, are more at home in a range of currencies, especially given their tendency to travel through Europe. What people want is advice on currency management and diversification, and on which currencies attract the highest interest rates while offering little risk on the exchange rate side."

The deposit side is still growing fast. There is, however, a growing interest among customers in portfolio management.

Mr Calmes of BIL says: "Ten years ago, Luxembourg was a safe haven for deposits, and the bulk of the customers still want that. There are periods like the present where deposits have their attraction and stock markets are out of favour – but we are making efforts to offer more sophisticated products."

This is partly because investors are becoming more aware of the fact that equity investment can provide capital growth. But in addition the banks themselves see portfolio management as a much more lucrative field providing fee income.

Mr Calmes points out that, two years ago, only a few banks had set up pooled investment funds for clients' money. Now, most of the banks have ventured into this area, offering trusts which provide their customers with access to investments ranging from the emerging markets to the real estate market of the Benelux countries. "The palette of products is getting bigger and bigger," says Mr Calmes.

Many of these customers are in pooled investments because they lack the large sums required for a tailor-made portfolio management. BIL says you need to have \$300,000 - \$400,000 for discretionary portfolio management in order to get good asset allocation.

For the moment, Luxembourg can boast of certain advantages over Switzerland: non-resident investors do not have to pay a withholding tax, whereas in Switzerland there is a withholding tax of 35 per cent on investment income.

Not only does this allow tax evasion, but also means that clients can plan their tax payments – in other words, instead of having the tax deducted at source when the income arises, they can pay on remittance. This is particularly significant if the tax is payable on large sums of money as it means the investor can reinvest 100 per cent of his profits until the tax becomes due. "As a tax planning vehicle, the lack of withholding tax is very useful," says Mr Robert Deed of TSB.

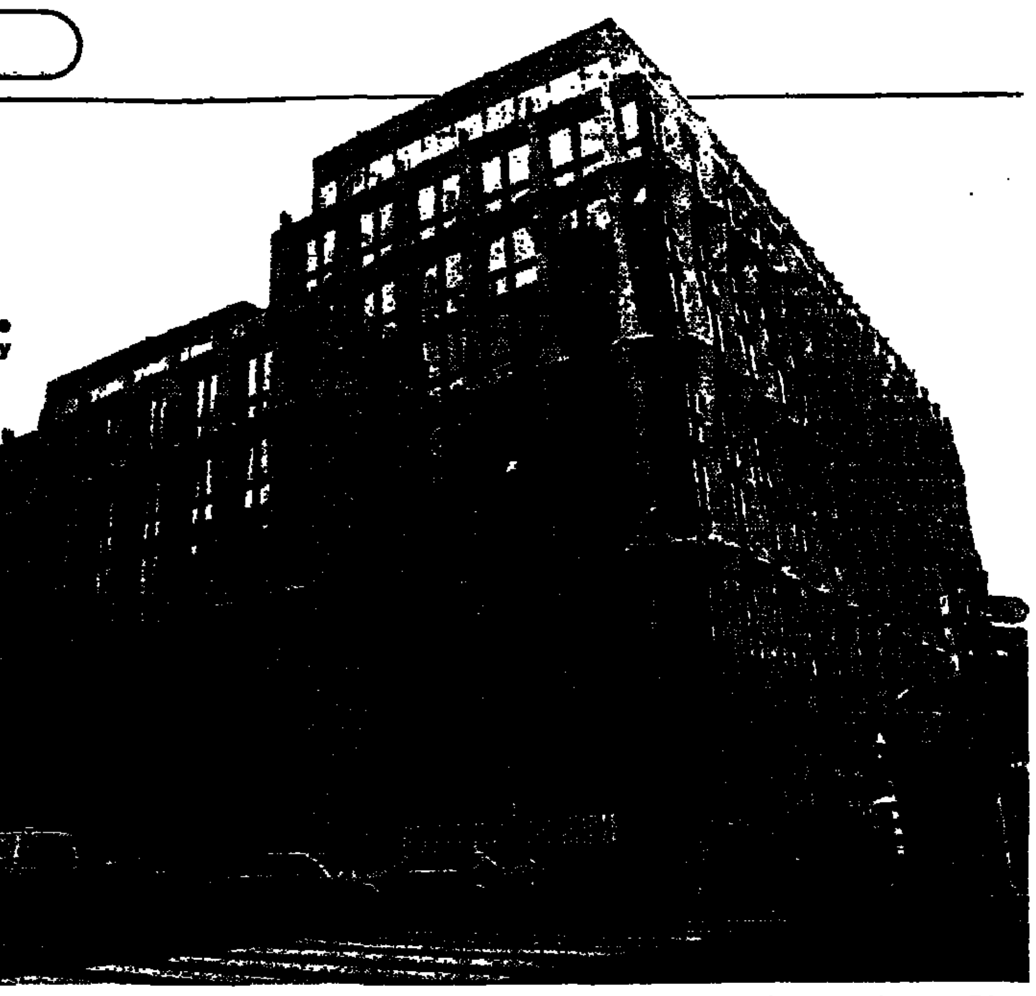
Luxembourg also has the advantage of being cheaper. Most banks claim that their fees are lower than in Switzerland, although given the nature of the business – the fact that fees are charged according to the service required – comparisons are difficult to make.

"Luxembourg is less expensive to operate from than Switzerland, which is why the fees tend to be lower here," says Mr Deed. "People who would find the services of Swiss banks prohibitively expensive are still prepared to pay for a good service, but there are limits to what they will pay."

As for the future, the Swiss hope that many customers will be lured away from Luxembourg by worries about its secrecy. The fact that Luxembourg is a member of the EC, whereas Switzerland is not, has led some to question whether moves towards a more united Europe will eventually mean sharing information across borders. For example, would Luxembourg banks ever be forced to reveal information about French nationals to the French tax authorities?

The Luxembourg banks do not consider such problems a threat. They do not see their role as that of tax police and will release information only if the activities are criminal. Tax evasion, in their eyes, is no crime.

Furthermore, bankers in Luxembourg are optimistic about the future of the business. They expect private wealth to increase in Europe and believe that more and more high net worth individuals will look for portfolio management and financial advice.



The Banque Internationale building in Luxembourg City (photo: Ashley Ashwood)

A city-state, geared to serve the wealthy

How Geveva is still holding its ground

GENEVA provides the forum *par excellence* for international private banking. It possesses tradition and experience; a fully fledged, modern, financial centre with stock exchange, an international airport close to a city where luxury hotels, jewellers and modistes are geared to serve the wealthy.

All this is available in a city-state which is less inhibiting in size than London or New York and which offers a hinterland of lake and mountain with fully developed leisure facilities, including two renowned golf courses.

If service is the essence of private banking, Geneva is remarkably well-equipped. That is not to say that it is without problems. Offices are expensive, there is a shortage of skilled banking staff and the density of cars generates traffic and pollution problems.

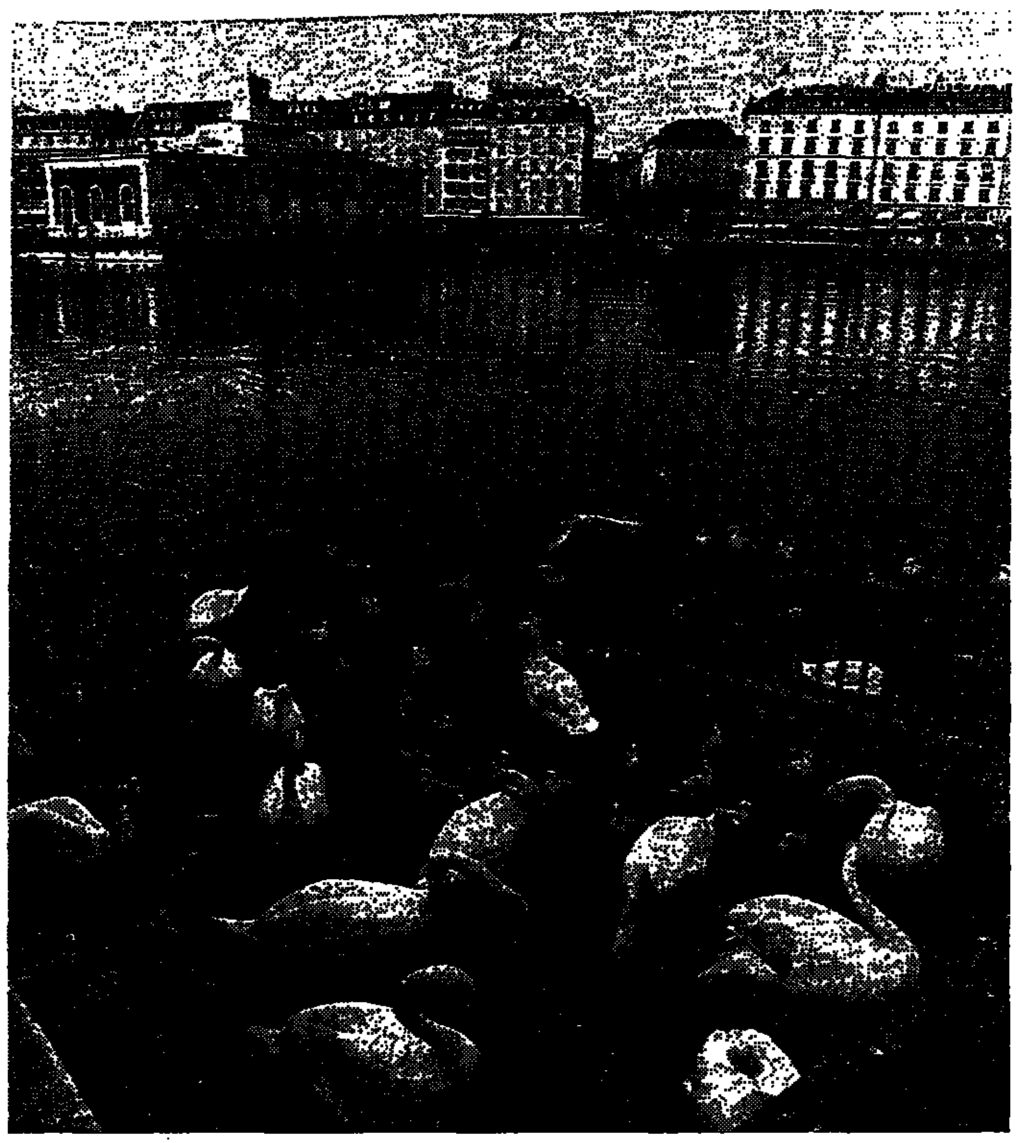
Within Switzerland the rivalry between French-speaking Geneva and German-speaking Zurich extends into private banking. Zurich is the bigger metropolis; it is home to two of the three big Swiss banks while the third uses it as its main operating base; its stock exchange dominates the Swiss equities market; the volume of financial business done in Zurich is far superior to that done in Geneva.

Geneva appears to have the edge in the Arab world

Zurich is big, too, in private banking but, although the figures to prove it are lacking, in this particular business Geneva holds its ground. Significantly, several foreign banks, in recently re-organising their Swiss operations, have concentrated their private banking in Geneva.

All three big Swiss banks run private banking operations from the end of Lake Leman. Union Bank of Switzerland says it employs close to 200 portfolio managers in Geneva compared with about 300 in Zurich. The big banks have also taken over small private banks which operate independently and cater to clients looking for more exclusive service. UBS has Banque Cantrade, Ormond, Burrus; Swiss Bank Corporation owns Ferrier Lullin.

Both cities draw business from wealthy people on a broad geographical basis but Geneva appears to have the edge in the Arab world and in Latin America. Several Geneva-based banks, both Swiss and foreign, are also busy tapping south-east Asia.



The lake hinterland is part of the charm of Geneva

The vitality of private banking in Geneva is reflected as well in the variety of its financial institutions, from the big banks down to one-man investment counsellors. Almost 300 banks, finance companies and investment boutiques are estimated to be in operation, the majority with asset management as their main business. Nearly 140 banks are registered with the National Bank and Banking Commission.

The elasticity in the definition of private banking is well demonstrated. Banque Privée Edmond de Rothschild went public in 1987 but is still completely controlled by the Baron. In addition to being a big operator in Luxembourg-based investment funds, the bank is associated with a finance company which recently came to the rescue of the Carven perfume and fashion house.

Earlier this year Robeco, the big Dutch investment fund group, set up its own bank in Geneva, to offer its customers money market placements and collateral credits. Turkey's Finansbank bought control of PBG Privatbank but indicated that it would use it to finance trade as well as for private banking.

Some American banks have difficulty in adapting to the Geneva private banking ethos — or are simply too impatient. At the end of last year American Express sold control of TDB American Express, Switzerland's biggest foreign-owned bank, to Mr Edgar de Picciotto's Compagnie de *Banque et d'Investissements*.

The US group had tried for six years to capitalise on the success of the private banking business it had bought from Mr Edmond Safra. The Lebanese-born banker returned to the Geneva private banking scene in 1988 with his Republic National Bank, which has since reported a steady inflow of foreign money.

At the core are six banks, run by old Protestant families

While its banks nowadays display a multiplicity of approaches, the private banking ethos which distinguishes Geneva from other centres is still largely set by the "real" private banks, the partnerships with unlimited responsibility, some of which go back to the 18th century.

At the core are the six banks, run by old Protestant families, which make up the Groupement des Banquiers Privés Genevois. They vary widely in size. Pictet and Lombard, Odier are major players with operations in London, New York and south-east Asia and computerised back offices. They manage institutional funds as well as private fortunes.

Hentsch and Darier, medium-sized, have also modernised, taken up positions abroad and have been feeling their way into new products such as futures and options. Bordier and Mirabaud remain small and faithful to a limited circle of private clients.

What these traditional private banks still have in common is an urbane and unaggressive emphasis on the personal tie between banker and client. And by osmosis "relationship banking" remains Geneva's trademark.

William Dullforce

Profile: C. HOARE & CO

Family faces future with equanimity

ALMOST ALL private banks are offshoots of a larger banking group or financial conglomerate. There is one exception, C. Hoare & Co, a family business which has been going for over three centuries and is the *last independent survivor of* 4,000 private banks which flourished when Queen Victoria was a girl.

Outside a honey coloured neo-classical building in Fleet Street, a uniformed doorman still attends on visitors as his predecessors did 200 years ago. Once inside, visitors can gaze at shelves of bound volumes of ledgers stretching back several centuries. From the walls, past members of the Hoare family gaze down: Charlie Arthur Hoare (1847-1908), a fox-hunting Victorian banker with a weakness for pretty ladies; Henry "The Magnificent" Hoare (1705-1785, a partner over six decades; and Richard (1648-1718), the bank's founder and Lord Mayor of London in 1712.

Past customers of the bank have included Catherine of Braganza, wife of Charles II; David Garrick; Jane Austen; and Lord Byron.

Hoare's is not quite the oldest private bank in England. Child & Co, a few doors down the road, have been there, operating at the sign of the marigold, since 1673 but can trace their origin back to 1584. But Child & Co has belonged to Royal Bank of Scotland since the 1920s, while Coutts, the other venerable private bank in London, is part of the National Westminster Group.

"We are privately owned while the others are effectively branches of a clearing bank," says Mr Michael Hoare, one of Hoare & Co's six partners.

Mr Hoare says it is difficult to explain why his bank has remained independent when others have not. What he describes as "a bad patch at the end of the 19th century" very nearly cost the bank its freedom. Several years of hard work were needed to extricate it from problems bequeathed by the fox-hunting Victorian partner.

Since then, all the bank's partners, with only two exceptions, have been direct descendants in the male line from Richard Hoare, the bank's founder.

"A condition of being a partner now is that one must work more or less full-time. There is no automatic right to come in," says Mr Hoare.

Though nearly 320 years have passed, there is no shortage of suitable candidates. Richard Hoare had 11 sons and the family is now widely spread and some of the six partners are eighth cousins, a very distant kinship.

For those members of the family contemplating going into the business today, some years broadening their experience with another financial institution are seen as an advantage. Most of the bank's 250 employees on the other hand stay with it for life.

The bank's 10,000 customers are generally old families and legal practices (the Law Courts are only a stone's throw away, and the Inns of Court where barristers are trained are also nearby). Some families have been with the bank for more than 300 years.

"A lot of our customers are landed families. It is remarkably difficult to farm without an *overdraft*. Others were landed families in the past. The number of customers is steadily increasing," says Mr Hoare.

By no means all customers fit this pattern, however. Hoare, like any other private bank, has a few Middle Eastern customers and some new money.

All letters are answered by return of post

Once customers have joined the bank, their loyalty is fostered not by birthday cards and flowers in hotel rooms but by what Mr Hoare describes as superior service. Narrative statements are very full; care is taken over all accounts, and all letters are answered by return of post. There are no cards at Christmas but there is a clear attempt to win customers young, with the bank deftly helping pilot younger account holders through the spills and traumas of student life.

Hoare joined Visa in 1985 and so can offer its customers access to cash machines (it absorbs the transaction fee on each withdrawal) and payment cards. "It is a jolly sight cheaper than having a lot of branches," says Mr Hoare, adding that the introduction of Visa cards helped stem a drift away from the bank by the children of customers.

The 1,500 corporate customers are mostly solicitors' firms and chambers of barristers, along with some farming and personal business. There are virtually no large manufacturing companies.

Hoare & Co does some investment management (the average size of a portfolio is about £150,000) but it is a comparative sideline. Dividend collection, safe custody and similar tasks are specialities.

Competitors assert that Hoare's independence, attractive though it looks, has its drawbacks, preventing the bank from offering the kind of specialised corporate finance services that can only come from a larger organisation, but which high net worth individuals often want.

How profitable is the business? Asking a question like this at Hoare & Co is rather like yelling at the top of one's voice in the British Museum reading room. This is after all a family business par excellence. Being a private company, Hoare & Co publishes no accounts or balance sheet and Mr Hoare says merely: "We make sufficient profits."

Does Hoare & Co have any development plans? Again, Mr Hoare gives an entirely unpretentious answer. "We have no particular plans," he says. "We meet demand and react to what people need."

Yet as long as its customers survive, so will Hoare & Co — for the family is in no danger of disappearing. How many of the giants against whom it competes can face the centuries ahead with equal equanimity?

David Barchard